



Funding Provided By:
MASSACHUSETTS DOWNTOWN INITIATIVE
Department of Housing & Community Development



Athol Downtown Housing Study

November 2020

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Acknowledgements

Funding Provided by: MA Dept. of Housing & Community Development, MA Downtown Initiative Program, Emmy Hahn, Coordinator

Athol Staff Leader: Eric Smith, Director of Planning and Development

Special Thanks to: the property owners and real estate professionals, housing experts and other individuals who graciously shared their insights during the course of this research effort.

Robert Lagare, Building Inspector, Town of Athol
Deborah Vondal, Athol Health Agent, Town of Athol
Lisa Aldrich, Principal Assessor, Town of Athol
Christi Marten, Executive Director, Athol Housing Authority
Alex Genin, Downtown Athol Property Owner
Lynn Rivenburgh, Downtown Athol Property Owner
Anne Reitmayer, New Vue Communities
Sarah Lyman, Hometown Realtors and Downtown Business Owner
Keith McQuirk, Millers River Real Estate and Athol Economic Development Industrial Commission
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Executive Summary

Downtown Athol could benefit from additional housing. This could be a good use for vacant or underutilized properties plus the addition of more nearby residents could help support Downtown businesses. Vacancy rates are low and there is a need for additional housing, especially affordable housing. Encouraging a mix of incomes and housing options would be the most beneficial for Downtown and ensuring that any housing development is of good quality and well managed is essential to promoting revitalization. There are several factors inhibiting housing development and potential inadequate return on investment is at the top of the list. The town could consider several actions to make the Downtown more desirable to residents, smooth the path for developers and improve financial feasibility of housing development.

The purpose of this study was to evaluate existing conditions and explore the opportunity to encourage housing development in Downtown Athol. We evaluated the current housing supply in Athol overall and in the Downtown, analyzed demographic trends and market conditions, examined issues inhibiting housing development and researched potential strategies for the town to consider. The following is a summary of our findings.

Housing Supply Highlights

- There are approximately 5,380 housing units in Athol, representing an increase of less than 1% since 2010. Two-thirds of the housing stock is over 60 years old and comprised predominantly of single-family homes. 29% of the housing units are in multi-unit buildings, a significantly lower portion than Worcester County and the state.
- A key finding of this study is that homeownership vacancy in Athol has increased since 2010, and is higher than the county and the state, while rental vacancy has decreased and is lower the county and state. The 2018 ACS reported vacancy rate among rental housing at 3.5% and 3.0% among homeownership units. Local Realtors we interviewed (in August 2020) estimated an even lower current vacancy rate for apartments in Athol, describing it as “practically zero”.
- 71% of the households are homeowners and 29% are renters. Since 2000, the percentage of renters has increased while the percentage of homeowners has decreased.
- Housing prices are increasing in Athol, while still comparatively very modest. The median list price for a home in Athol was \$202,500 in August 2020, trending up 12% year over year, but still 42% lower than Worcester County. Rental rates for apartments in Athol, also significantly lower than the county, are estimated as follows.

	1 BR	2 BR	3 BR
Athol (typical rents according to two Realtors)	\$700 – \$800	\$900 - \$1,100	\$1,000 - \$1,300
Downtown (average for units available August 2020)	NA	\$800 - 850	\$900
Section 8 Fair Market Rents for Western Worcester County	\$731	\$963	\$1,300

- There are 3 new multi-family developments currently planned including:
 - River Bend/Bigelow School – 53 subsidized affordable housing units
 - Sanders Street School - 10 apartments
 - Silver Lake School - proposed condominiums
- There are 387 housing units in Downtown and approximately one-half of the current housing is in poor or fair condition. Most of the housing is low-cost apartments; approximately one-third of the apartments are low-cost due to state and federal subsidies, either provided at the time of development or through on-going rental assistance, or both.

Housing Demand Highlights

- There is demand for additional housing in Athol. The population is growing (although at a slower rate than the County and the state) and additional units will be needed to accommodate expected growth. According to local Realtors current vacancy rates among rental units is very low. Given business growth and rising housing costs in the Greater Worcester area, there may be demand from households that work in the Worcester area but find themselves priced out of the closer-in housing market. This may also be true for workers in Amherst and the 495 area.
- The demand for housing specifically in Downtown Athol is most likely to come from two segments: 1) low-to-moderate income singles, couples and young families and 2) seniors (some downsizing from single-family homes and looking for maintenance-free housing options and most with moderate means).
- Currently, the housing product most appropriate and most in demand in Downtown Athol appears to be low-cost multi-family rental units. There is no current evidence of demand for condominiums or among young higher-income renters in Downtown. This may change in the future but this is the current consensus among local realtors.
- Athol has a mix of incomes but it is predominantly a low to moderate income community. The 2020 median household income in Athol is estimated at \$55,227, about 28% lower than the median household income in the county and 35% lower than the state.
- Both the population and number of households have increased over the last decade, however at a slower rate than Worcester County and the state. Athol experienced 2.6% growth in population between 2000 and 2010 and 3.3% between 2010 and the current 2020 estimate.
- A significant population trend in Athol is the proportion and growth of senior households and the decline of young households. 52% of all households in Athol are headed by individuals age 55 or above. Between 2010 and 2018, householders age 55+ grew by 24% while householders age 34 and below decreased by 41%.

- Several market segments typically seen as “natural targets” for downtown/town center housing are prevalent in Athol and growing (e.g., 69 % are childless households, 62% are 1- and 2-person households, 52% age 55+).
- The projected population growth indicates a need for approximately 340 additional housing units in Athol by 2030.
- Although housing costs are lower in Athol than in the County, housing affordability is still an issue and the greatest need is for affordable rental units. An estimated 48% of the households that rent apartments in Athol are considered to be “cost-burdened”, paying more than 30% of their income for housing. There is a new affordable housing development being planned for the River Bend /Bigelow School site that will help meet this need.

Potential Housing Development Sites

Opportunities for additional housing development in Downtown Athol fall into two categories:

- Renovation/adaptive reuse - There are several buildings with vacant or underutilized upper floors. One property owner has expressed interest in developing housing in the upper two floors of his building.
- Demolition/new construction – There are several vacant/underutilized sites which present housing development opportunity (including 7 properties classified as abandoned).

Issues Impacting Housing Development

1. Downtown Athol has some of the ingredients that potential Downtown residents typical look for in a neighborhood but lacks others (e.g., variety of restaurants, outdoor enjoyment spaces, convenient public transportation, perception of safety).
2. The current achievable rent levels for apartments in Athol are relatively low and limit the amount of capital that building owners/developers are willing to invest.
3. The cost for new construction of apartments exceeds the investment amount supported by the current rent levels.
4. The cost of renovating upper floors of existing buildings may also exceed the investment amount supported by the current rent levels depending on building conditions.
5. The market demand for housing in Downtown is primarily for modestly priced apartments.
6. There is a need for additional good-quality affordable housing in Athol. Access to public transit and some services makes Downtown a convenient location for low-income residents.
7. Aiming to diversify the housing choices in the Downtown and striving for a mixed income resident population might help to increase the customer base and, in turn, attract additional retail and restaurants to the area.

8. There are state and federal financing programs to help subsidize the development and operating costs of “affordable housing”. Development subsidies are difficult to use for small projects and are most often used for projects of 50 units or more.
9. We could not find any state or federal financing programs that subsidize the cost of “market rate housing” that does not have income and rent limits, however there may be opportunity to use local funds.
10. New Vue Communities, a non-profit housing developer, is currently planning a 53-unit affordable housing development in Athol (approximately ½ mile from the Downtown Center) and has experience with downtown housing projects.
11. Some zoning and building regulations could be an impediment to housing development in Downtown.

Strategies for Consideration

1. Continue to take actions to improve the public realm and increase amenities to make Downtown a place where people want to live while sending a positive message to potential investors (especially improving transportation and creating social gathering/event and outdoor enjoyment spaces).
2. Take steps to ensure the Town is, in fact, amenable to housing development by removing or reducing any regulatory barriers.
 - Review the special permit process and results and consider making multifamily housing allowable as of right in the General Commercial Zone.
 - Consider reducing the on-site parking space requirements in the General Commercial Zone.
 - Allow higher density housing in appropriate in-fill locations to increase financial feasibility.
 - Consider increasing or eliminating allowable Floor Area Ratio (FAR).
3. Make sure the Town projects an image/reputation of welcoming development. Look at how the town is perceived by developers and property owners and address any issues.
 - Examine approval processes and average decision-making timeframes.
 - Proactively promoting the Town’s desire for housing development.
4. Keep the goal of mixed income housing in mind and create policies and programs to encourage a range of housing choices and a mix of incomes (even though there is not currently a strong market demand for above moderate-income housing in Downtown).
 - Prioritize projects targeted to a mix of resident incomes.
 - Encourage a mix of market rate units, subsidized affordable units and workforce housing.
5. Encourage the development of good-quality and well-managed affordable and senior housing in Downtown by promoting the use of state and federal development subsidy funds.

- Facilitate the assembly of parcels large enough for 50+ units.
 - Partner with an experienced nonprofit developer.
 - Review Appendix A for a description of financing sources. Explore the Community Scale Housing Initiative (CSHI) for small projects under 20 units.
6. Create local programs offering financing incentives for development of housing in Downtown.
- Consider adopting the Community Preservation Act (CPA).
 - Consider creating an Urban Center Housing Tax Increment Financing (UCH-TIF) Zone and UCH-TIF Plan
 - Consider using town-owned property to encourage desirable housing development.

Part 1

Project Overview

Background

What's happening in Athol? Athol is a rural community about 40 - 50 miles northwest of Worcester with an estimated population of 11,960 in 2020. The town has a distinct and identifiable downtown corridor that is home to the town hall, library, YMCA, financial institutions, a discount department store (Ocean State Job Lot), a few restaurants, small retailers and other independent businesses.

Two, three and four-story mixed-use buildings line the downtown corridor. Many of these buildings currently contain rental housing and several others have underutilized upper floors with the potential for creating housing.

In recent years, Downtown Athol has seen an increase in vacancy while major commercial development continues to expand near the Route 2 Exit, drawing more commercial tenants and customers. This new commercial area, known as North Quabbin Commons, (300,000+ sq. ft.) is anchored by Market Basket, Hobby Lobby, Marshalls, Starbucks and a 9-screen movie theater.

Why the interest in Downtown housing? Increasing vacancy and the intent to protect open space has encouraged the town to explore the opportunity for additional Downtown housing. Working with the assumption that more residents would help support Downtown businesses, the rise in vacancy has stirred interest in the possibility of additional housing development. In addition, Athol's Master Plan and other subsequent studies and plans stress the importance of protecting its open space and natural resources by directing residential growth to already developed areas (like the Downtown) and away from the outlying areas.

Other factors supporting the town's interest in Downtown housing include the potential need for affordable housing and workforce housing. Although housing cost is comparatively low in Athol, the town has not met the 10% mandate set by the State's Affordable Housing Regulation, Chapter 40B. Potential new employment opportunities created by marijuana-related business tenants locating at the nearby 300,000 square-foot Union Twist Drill facility may create additional demand for housing in the area, including Downtown.

Purpose and Scope of this Study

The primary purpose of this study is to provide a better understanding of the current conditions, opportunities and constraints with regard to the development of additional housing units in Downtown Athol.

The scope includes the following tasks.

- Review of existing plans and reports that can assist in providing background information.
- Evaluate the current housing supply in Athol, including: overall housing characteristics and development trends, housing values, sale prices and rents, Downtown housing inventory, conditions, ownership and character photographs.

- Evaluate the current housing demand in Athol, including: demographic analysis, housing needs analysis, perspectives from local Realtors, local and regional economic context and trends.
- Analyze housing affordability including information and perspectives from affordable housing providers.
- Identify conditions and potential constraints currently impeding residential housing development in Downtown (including interviews with property owners, real estate professionals and other) and research tools/strategies that might be applied in this situation.

Recent Studies and Plans

Several studies and planning projects have been completed in the last few years that have touched on issues related to housing in Downtown Athol. Highlights are summarized below.

2019/2020 (phase 1) - Downtown Urban Renewal Plan (Montachussett Regional Planning Commission) -

The plan cited the reason for creating an Athol URP . . .” The poor condition of many buildings throughout the Area, the lack of façade improvements and the generally poor maintenance of buildings and properties contribute to blight in the area. In addition, lot patterns offer physical constraints and incompatible uses act as a deterrent to redevelopment.”

The Athol URP is designed to accelerate growth in the project area and the Town as a whole; to encourage sound growth; assemble sites for supporting private development growth; and undertake public improvements, including off-street parking, open space redevelopment, and multimodal transportation access and connectivity throughout Downtown.

2020 - Downtown Athol Parking Plan - The study showed that Downtown Athol has more than ample parking to support its current needs as well as two potential development scenarios both including additional housing. In fact, the plan stated “Athol could easily add hundreds more housing units in its downtown” . . . “and other uses without adding another parking space.”

The plan sets goals to implement customer-friendly parking management, improve facilities, support bicycling and walking with connections to parking and investigate policy options to support Athol’s anticipated parking and development needs.

2019 - Due Diligence and Master Planning for Development Sites in Downtown Athol (BSC Group) - The plan proposes new building construction along the Exchange Street corridor both north and south of Main Street as well as infill and reconfiguration of the Lord Pond Plaza. The document included residential uses among the recommended development – “Based upon the town’s vision to foster an active mixed-use district in Downtown, ground floor commercial/restaurant/retail is recommended with either upper floor office and/or residential uses.”

2018 - Athol Community Development Strategy (Athol Planning & Development Department) - The strategy includes two goals that specifically pertain to Downtown housing:

- Seek public and private funds to rehab public and private vacant and underutilized buildings especially in Downtown
- Promote infill housing in existed developed areas over new housing in open space areas

2017 - Technical Assistance Panel Report (Urban Land Institute Boston/New England) - The TAP made several observations and recommendations with two items specifically related to housing.

- The TAP report suggested that there is an opportunity for Athol to re-position itself as a viable live/work/play alternative given that the high cost of housing is forcing workers to seek options outside the Greater Boston Metro market. The report states: “The available land and housing stock, combined with the abundant outdoor recreational options such as hiking, biking, and kayaking in the region, should appeal to younger families, particularly with the addition of the new elementary school and modern library. And while Main Street has challenges, the potential exists to re-create Athol as an authentic New England Downtown, utilizing its well-preserved historic building stock.”
- The TAP report cites a lack of reinvestment interest and poor building condition leading to only low-income tenants as an issue. “A second issue for the Downtown is the disinterest by the owners of the buildings to upgrade the properties, combined with the presence of low-income housing on the upper floors. A redevelopment authority, with a specific focus on the Downtown, could work with property owners to spur reinvestment in the downtown. If the Town creates this authority, it should also be charged with the redevelopment of Lord Pond Plaza to anchor reinvestment in the Downtown.

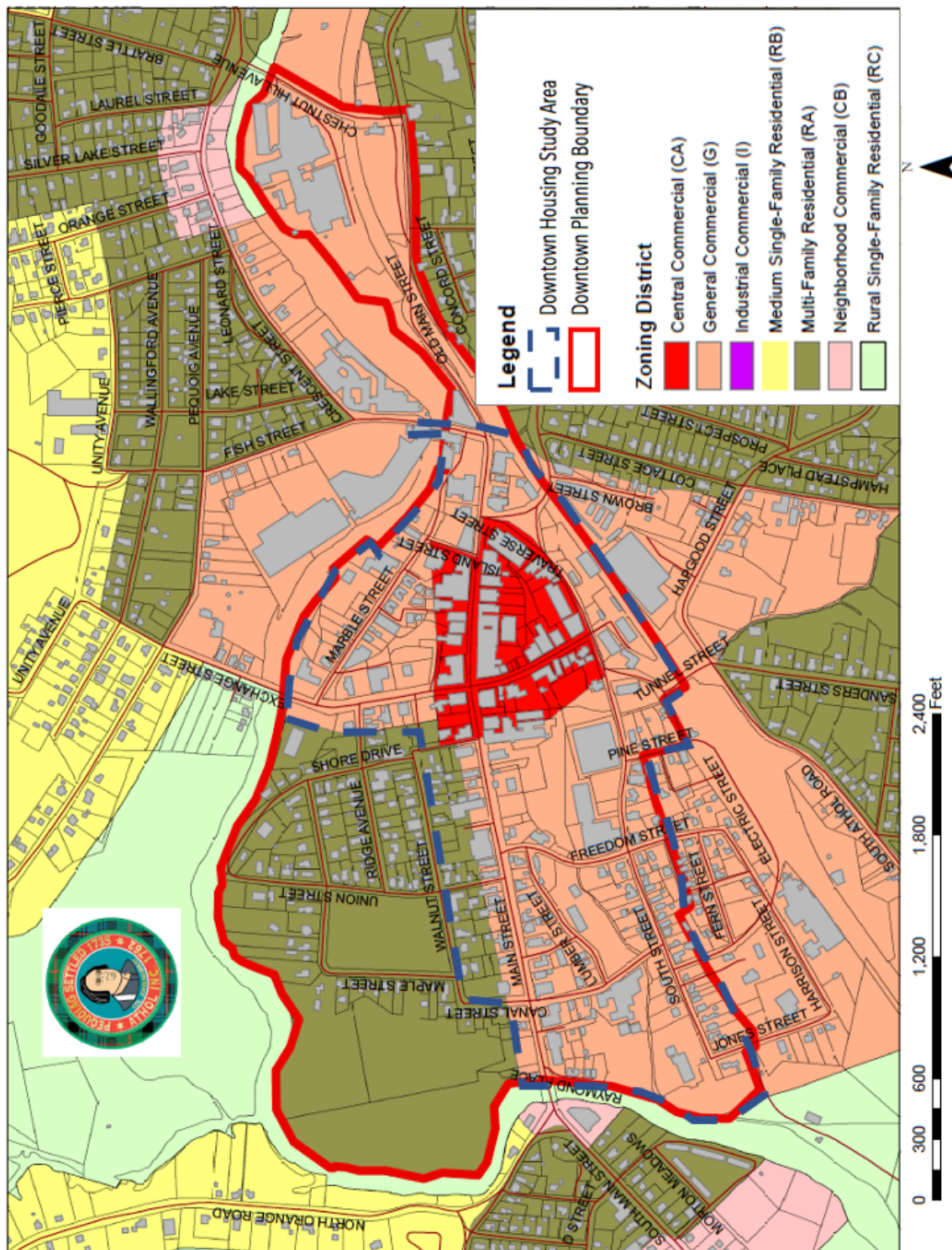
2017 – Summary Report: Property & Infrastructure Inventories Downtown Athol - The purpose of this report was to document that the downtown area meets the criteria for qualifying for the CDBG program’s national objective of eliminating slums & blight on an area wide basis.

- The inventory of conditions found 49% of the buildings in Downtown to be in poor or fair condition (49% of residential properties, 48% of commercial properties, 81% of industrial properties and 18% of public properties).
- The report cited 7 properties in the Downtown classified as abandoned. In these instances, the property owners continue tax payments but are not addressing known safety codes violations or suspected environmental contamination. The parcels include a former gas station, two lots associated with the collapsed Vice Shop on South Street, the site of the demolished Cass Toy Factory, the former Maroni Department Store on Exchange Street and two condemned residential structures.
- On a town-wide note, the report noted that aggregate property values in Athol declined steadily between 2007 and 2015. Values started an upward trend since 2015 (largely due to the development at North Quabbin Commons) but remain below the 2007 level.

2014 – Town of Athol Housing Action Plan (Montachussett Regional Planning Commission) - This plan was developed to support the preservation, rehabilitation, and expansion of the Town's existing housing stock and provide a framework by which the community can support the housing needs of its current residents and enhance the desirability of the community to attract new residents. The overall goal is to provide safe, comfortable, and affordable housing for current and future residents of Athol. The objectives include:

1. Preserve and enhance the Town's existing housing stock
2. Encourage the development of new and affordable housing to supplement the town's housing stock and replace or rehabilitate units which may no longer be adequate to meet contemporary standards
3. Facilitate the diversification of housing to provide a range of choices and opportunities to meet the various and changing needs of current and future town residents and to stabilize the town's population while attracting new residents to the community
4. Provide support to low and moderate income homeowners and renters who are struggling to pay housing costs and maintain their property
5. Provide diverse housing options across a range of incomes
6. Maintain and protect the character of the community and its environmental assets

Map of the Study Area



*Town of Athol, Planning and Development Department

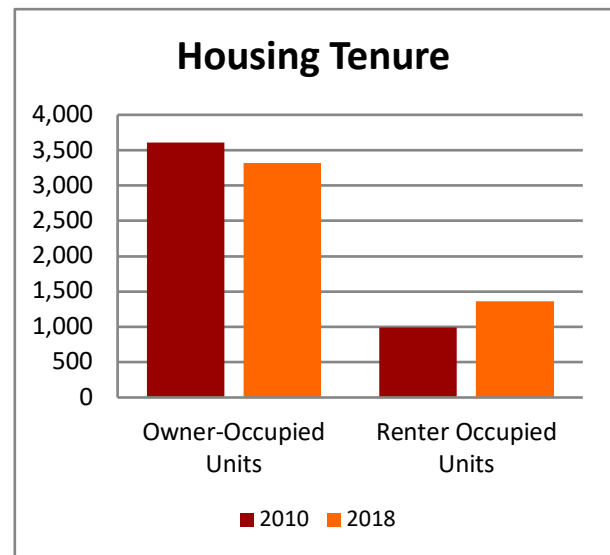
Part 2

Housing Supply Analysis

Housing Supply Characteristics and Development Trends

Housing Count and Tenure¹

The 2018 Census ACS (American Community Survey) shows 5,380 housing units in the Town of Athol, which represents an increase of about 1% (235 units) over the 5,345 units counted in 2010 (compared to 3% growth in the county and state during the same period). Of the occupied units, 71% are owner occupied while the remaining 1,411 units (29%) are occupied by renters. The homeownership rate in Athol exceeds the rate in the county and the state (65% in Worcester County, 62% in Massachusetts), however homeownership has declined in recent years while the percentage of renters is on the rise. Since 2010, the amount of owner-occupied units has decreased by 8% (284 units) and the number of renter-occupied units has increased by 38% (373 units).



Vacancy Trends

13% of total housing units were reported as vacant in 2018 (slightly down from a vacancy rate of 14% in 2010). It should be noted that a large number of these vacant units fall into the “Other Vacant” category and are neither for sale or rent. These units are for seasonal/occasional use, are uninhabitable or not on the market for some other reason. The breakdown of vacant housing units is as follows: 49 for rent, 101 for sale and 546 other. The “other vacant” units in Athol represents 78% of all vacant units compared to 71% in Worcester County and 80% in the state.

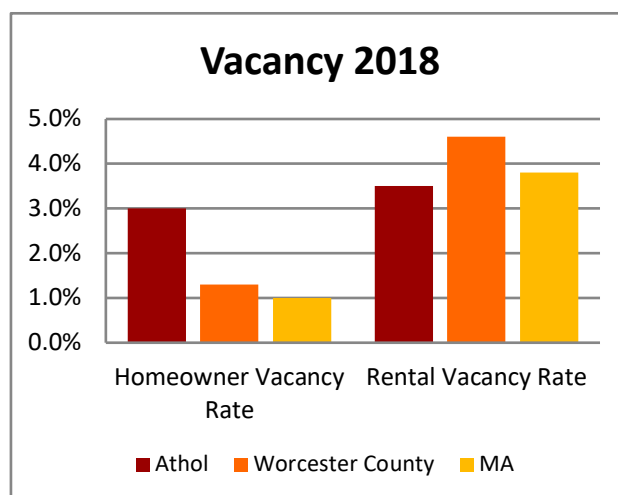
Rather than look at total vacancy rate, it is more telling to analyze trends in homeownership vacancy and rental vacancy separately².

¹ Source: Social Explorer – ACS 2018 and ACS 2010 (5-year estimates)

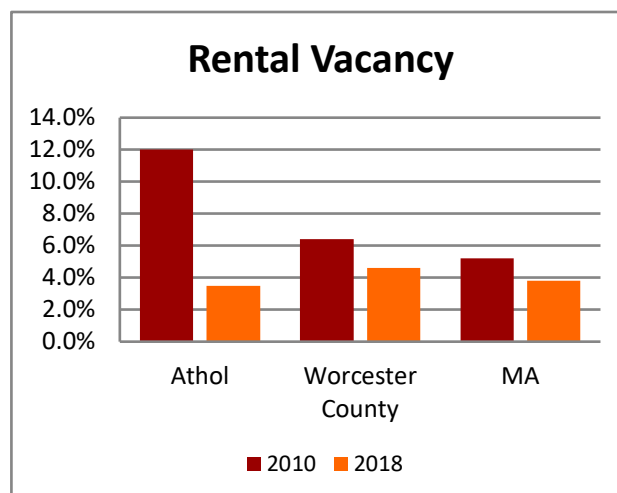
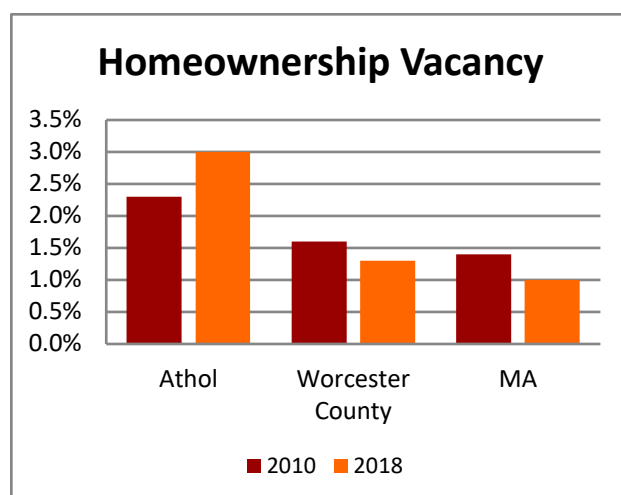
² Source: Social Explorer – ACS 2018 and ACS 2010 (5-year estimates)

A key finding is that homeownership vacancy in Athol has increased since 2010 and is higher than the county and the state, while rental vacancy has decreased and is lower the county and state.

The 3.0% homeownership vacancy rate in Athol (vacant units for sale as a percentage of all homeownership units) is higher than in both Worcester County (1.3%) and Massachusetts (1.0%). Conversely, the 3.5% rental vacancy rate (vacant units for rent as a percentage of all rental units) is lower than Worcester County (4.6%) and Massachusetts overall (3.8%).



Local Realtors we interviewed (in August 2020) agreed that the vacancy rate for apartments in Athol is very low “practically zero” and “tenants are afraid to move” for fear they could not find comparable units.)

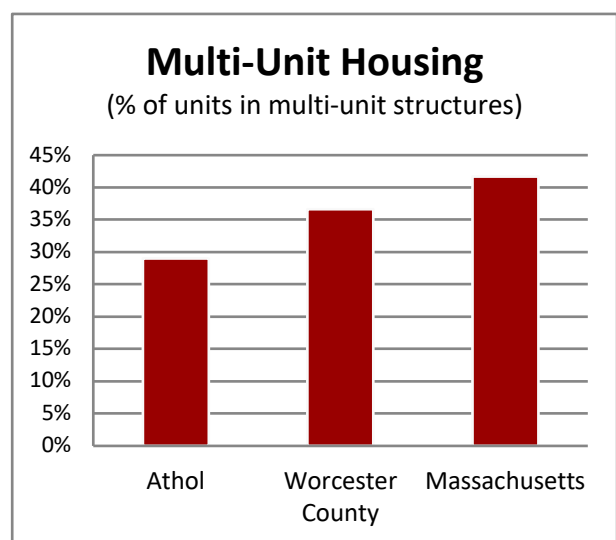
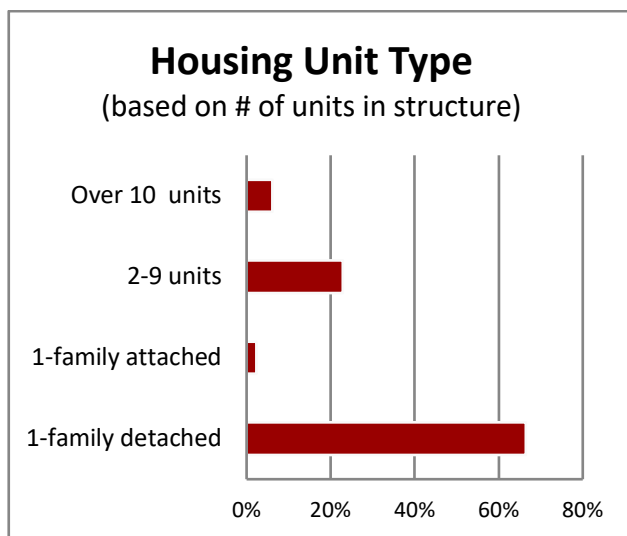


Housing Occupancy	2010 ACS	2018 ACS	% Change
Total Housing Units	5,345	5,380	1%
Occupied Units	4,595	4,684	2%
Owner-Occupied	3,606	3,322	-8%
Renter-Occupied	989	1,362	38%
Vacant Units	750	696	-7%
For Rent	188	49	-74%
For Sale Only	78	101	29%
Other Vacant	484	546	13%

Housing Type³

According to the 2018 ACS, approximately 69% of the homes in Athol are single-family units (67% detached homes and 2% attached). Approximately 29% of the units are in multi-unit structures (23% in structures with 2 to 9 units and 6% in structures with 10+ units). 2% are mobile homes.

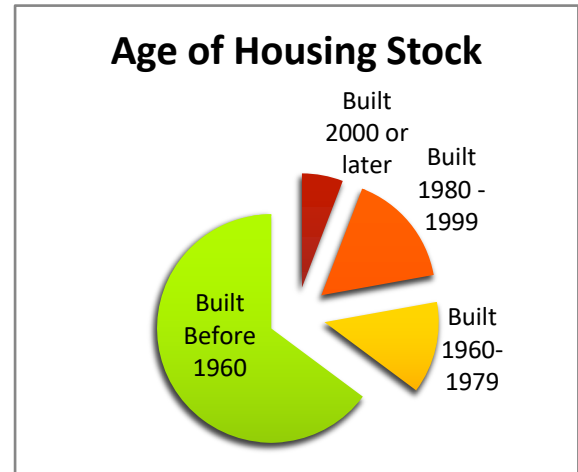
The percentage of units in multi-unit structures in Athol (29%) is significantly lower than found in Worcester County (37%) and the state overall (42%). Athol's percentage of multi-unit housing has stayed about the same since 2000.



³ Source: Social Explorer – ACS 2018 and ACS 2010 (5-year estimates)

Age of Housing Stock⁴

The housing stock in Athol is older than in Worcester County and Massachusetts overall. Approximately 64% of Athol's housing stock is over 60 years old, compared to 48% in the County and 50% in the state. 13% was built between 1960 and 1979, 16% between 1980 and 1999 and only 6% since 2000.



Age of Housing Units	Athol	Worcester County	MA
Built 2000 or later	6%	11%	9%
Built 1980 - 1999	16%	22%	19%
Built 1960-1979	13%	20%	22%
Built Before 1960	64%	48%	50%

Household Size⁵

Average household size in Athol is 2.47 persons somewhat smaller than Worcester County and the state.

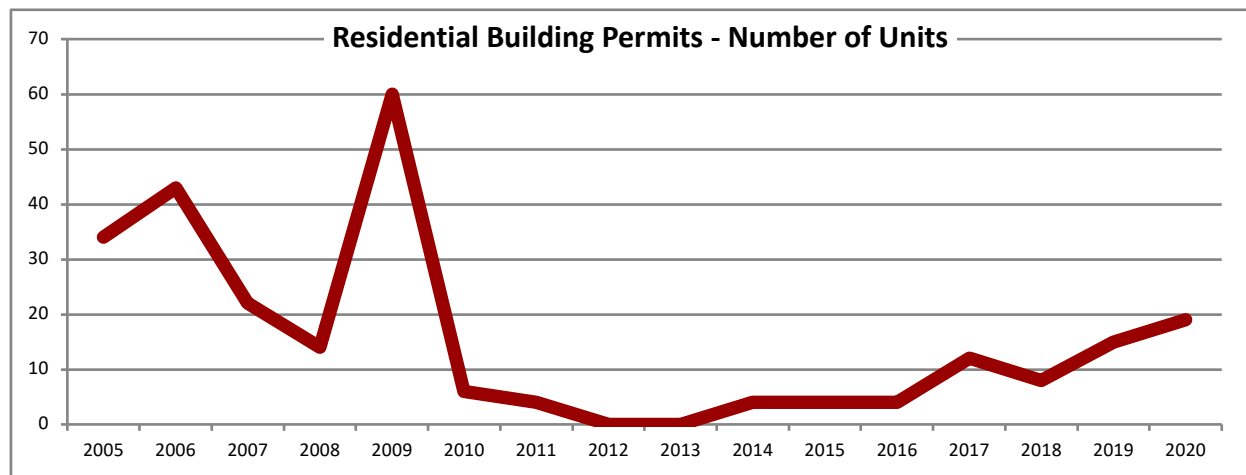
Average Persons per Household	Athol	Worcester County	MA
All Units	2.47	2.59	2.54
Owner-Occupied Units	2.53	2.79	2.72
Renter-Occupied units	2.13	2.22	2.51

⁴ 2017 ACS (5 -year estimates)

⁵ 2018 ACS (5-year estimates)

Housing Development Trends

During 2005 to 2020, the number of residential building permits issued annually in Athol has ranged from a high of 60 units in 2009 to zero in 2012 and 2013⁶. The recent two years have seen an uptick. Only 1 multi-unit housing developments have been permitted since 2004.



Year	Total Units	Single Family	Two-Family	3 + 4 Family Units	5 + Family Units
2005	34	34			
2006	45	43	2		
2007	22	22			
2008	14	14			
2009	60	10			50
2010	6	6			
2011	4	4			
2012	0	0			
2013	0	0			
2014	4	4			
2015	4	4			
2016	4	4			
2017	12	8			
2018	8	8			
2019	15	15			
2020	19	19			

⁶ MassBenchmarks 2004 to 2018, Athol Building Department 2019 to 2020

Housing Projects in the Pipeline

There are three potential multi-unit housing development projects that have been proposed as adaptive reuse for vacant school properties. These potential development sites are located outside of the Downtown area .

1. River Bend and Allen Bigelow School Buildings - New Vue Communities (a community development corporation) has created a redevelopment plan for 53 units of subsidized affordable housing. It is likely that NewVue will not receive LIHTC approval until 2022 and construction would be finished in 2024/2025.

2. Silver Lake School – A developer is planning to build single-family homes near the Silver Lake School site and has proposed the redevelopment of the school property for market-rate condos. The developer plans to complete the single-family homes first in order to generate revenue required for the condo development.

3. Sanders Street School – A developer filed an application to the Zoning Board in March 2020 for the development of approximately 10 market-rate apartments at the Sanders Street School site.

Potential Multi-family Housing Developments



- 1** River Bend and Allen Bigelow School Buildings
- 2** Silver Lake School
- 3** Sanders Street School
- Downtown Housing Study Area

Home Values, Sale Prices and Rents

Home Value

Most online real estate information sources estimate the current 2020 median home value in Athol to be in the range of \$183,000 to \$192,000.

The 2018 ACS⁷ data shows the estimated median home value in Athol as \$152,300, down from an estimated value of \$179,900 in 2010. According to ACS data, home value in Athol is approximately 44% lower than Worcester County and 58% lower than statewide.

Home Sale Prices⁸

In June 2020, the median list price of homes in Athol was \$202,500 (\$143 per sq. ft.), trending 12% year-over-year. The median sales price in Athol was \$193,800 and, on average, homes sold for 1.16% below asking. Compared to Worcester County, the median list price in Athol was 42% lower. Realtor.com identified Athol (and Worcester County) as a “seller’s market”, meaning there were more people looking to buy homes than homes on the market. Local Realtors we interviewed agreed that inventory was low and they had seen a recent increase in selling prices.

Rental Housing Rates

Local Realtors and building owners we interviewed (in August 2020) said that rental rates in Athol have recently increased and apartments are hard to find.

Typical rental rates obtained from various sources for apartments of various sizes in Athol are illustrated in the table below.

	2020 Fair Market Rent - Western Worcester County incl. Athol	2020 Local Realtor/ Building Owner Interviews (not including utilities)	2018 ACS Median Gross Rent Athol
0 Bedrooms	\$726		NA
1 Bedroom	\$731	\$700 – 800	\$576
2 Bedrooms	\$963	\$900 - \$1,100	\$939
3 Bedrooms	\$1,300	\$1,000 – 1,300	\$1,123
4 Bedrooms +	\$1,305		\$1,083
All Units			\$885

⁷ Social Explorer - American Community Survey 2010 and 2018 (5 Year Estimates)

⁸ www.realtor.com

Commonly abbreviated as FMR, the Fair Market Rent is the average rent and utility costs for newly leased, non-luxury rental units with basic amenities. Each year the federal government determines FMR for every market area; the data provided is for 2020. Fair Market Rents are used to set rental assistance payment standards for federal housing programs.

The ACS data is also provided as reference. These figures represent the median rent paid by all renters occupying units in Athol in 2018. The median gross rent for apartments in Athol reported by the 2018 ACS (\$885 per month⁹) is 14% lower than the county and 28% lower than the state.

⁹ Social Explorer - American Community Survey 2010 and 2018 (5 Year Estimates)

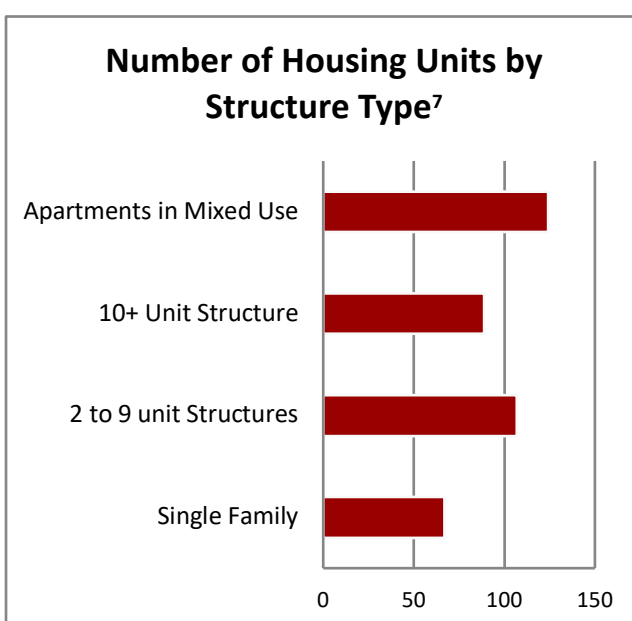
Downtown Housing Profile

Housing Characteristics in Downtown Study Area

We analyzed the parcel data provided by the Athol Planning and Development Department and Town Assessor to get an understanding of the current housing supply in Downtown. According to this data, 47% of the parcels in the study area contain housing (129 parcels out of 273).

We estimate that there are approximately 387 housing units in the Downtown study area. The housing is a mix of single-family housing, multifamily housing and mixed use (commercial with apartments). There are 67 single-family residences, 196 units in multi-unit residential structures and 124 apartments in mixed use buildings.

While we do not know the condition of each unit, previous reports as well as interviews with building and health inspectors suggest that much of the rental housing stock is not in good condition. In 2017, a [Property and Infrastructure Report](#) (covering a somewhat larger Downtown target area) was completed to demonstrate that the area meets the requirements for a “slums and blight” determination. That report concluded that 49% of residential buildings were in poor or fair condition.



The Health Inspector and Building/Zoning Officer we interviewed (in August 2020) described the apartments in the study area as mostly “very basic units” and guesstimated that a strong majority are in poor or fair condition with a minor portion that could be considered in good. They were not aware of any uninhabitable rental units and believed that all housing units were being actively leased.

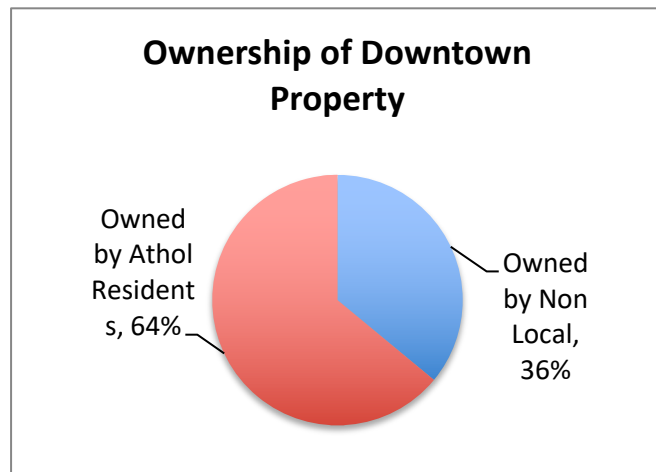
Housing in Downtown ¹⁰	# of Structures	# of Units	% of Units
Single Family	67	67	17%
2 to 9 Unit Structures	38	107	28%
10+ Unit Structures	4	89	23%
Apartments in Mixed Use Buildings	20	124	32%
TOTAL	129	387	100%

¹⁰ Based on Town of Athol parcel data, 2020

Property Ownership in Downtown Study Area

Approximately 36% of the parcels in the Downtown study area are owned by individuals and entities that do not reside in Athol.

Owners of ten or more housing units are listed in the table below.



Residential Property Owners – 10+ Units				
Owner of Record	Location	Use	# of Housing Units	Local Ownership
Pequoig House LLC	416 Main St	Apartment	53	No
Georgilas George	456 Main St	Mixed Retail/Apt	17	No
	359 Main St	Apartment	17	No
	Total		34	
M Jemms Athol LLC ¹¹	498 Main St	Mixed Retail/Apt	8	No
	477 Main St	Mixed Retail/Apt	8	No
	413 Main St	Mixed Retail/Apt	9	No
	585 Main St	4 to 8 Family	5	No
	Total		28	
Hughes Kathleen A Trustee	121 Marble St	Apartment	18	No
	222 Main St	Apartment	10	No
	Total		28	

¹¹ M Jemms Athol LLC also owns an additional commercial building (laundry) with no housing units at 493 Main Street.

Affordable/LowCost Housing in Downtown

Many of the units in the Downtown study area are targeted to lower income residents. This affordability comes from three categories:

1. units that have received or continue to receive subsidy from federal and state programs and are required to keep rents below a certain level.
2. units that accept tenant-based vouchers whereby a program is paying a portion of their rent and
3. units that have low rent (perhaps because of age, amenities, condition) .

There are 4 apartment buildings (containing 112 housing units) in Downtown that received development subsidies and/or contracts for on-going rental subsidies and therefore are required to provide affordable housing according to mandated guidelines. This means that the rents must be kept below certain levels and the tenants must have household incomes below specified thresholds. All four of these properties have some number of project-based rental vouchers either from the HUD Section 8 program or the Massachusetts Rental Voucher (MRV) program. In the case of project-based rental vouchers, the tenant pays rent to the landlord up to a specified portion of household income (e.g., 30% for Section 8) and the program pays the landlord the balance of the rent up to a specified maximum (e.g., in the case of Section 8, 90 to 120% of Fair Market Rent as set by the local Housing Authority).

Subsidized Housing	Address	Type	Total SHI Units	Program Funding ¹²
Pequog House	416 Main Street	Rental	53	MHFA Loan/Section 8
Dumont Realty Trust	359 Main Street	Rental	34	LIHTC/MRV
Delta Apartments	477 Main Street	Rental	8	LIHTC/ MRV
456 Main Street	456 Main Street	Rental	17	MRV
TOTAL			112	

In addition, several buildings accept tenant-based rental vouchers. These vouchers are associated with the tenant rather than the property and the tenant can select their housing, however the building owner has to be willing to participate with the program abide by certain rules and keep rents at a certain level. The Athol Housing Authority estimated that approximately 19 Section 8 tenant vouchers are currently being used in Downtown properties. Similar to the Section 8 project-based vouchers, tenants with Section 8 voucher typically pay 30% of their income to the landlord and the Section 8 Program pays the landlord the balance of the rent up to the specified payment standard.

The third category of affordable units include modest basic apartments that are not subsidized in any way but simply have lower rents possibly due to age, condition or amenities. Some landlords in Downtown Athol do not participate in rental voucher programs because they prefer to use month-to-month leases or and/or do not want to comply with other program rules.

¹² MHFA – Massachusetts Housing Finance Agency, Section 8 – HUD section 8 Project Based Voucher, LIHTC – Low Income Housing Tax Credit, MRV -Massachusetts Rental Voucher (project-based)

Available Apartments in and near Downtown

Our research of current rental listings (August 2020) in and nearby the Downtown study area revealed 7 rental units available. Two of the available units are subsidized housing units with age restrictions and maximum income guidelines. The median rent among the available market-rate units is \$900.

In/Near Downtown Study Area	Bedrooms	Rent	Location	Subsidized, Income Restrictions
In	2	\$800	304 Main St. #2	N
In	2	\$850	Main St.	N
In	3	\$900	Marble St.	N
In	4	\$975	36 Prospect S. #2	N
Near	3	\$1,080	50 Park St	N
Near	0	\$685	494 School St.	Y ¹³
Near	1	\$896	494 School St.	Y ¹⁴

¹³ Age 55+ and income restrictions apply

¹⁴ Age 55+ and income restrictions apply

Downtown Housing Character Photographs

Main Street Housing- Examples¹⁵



416 Main Street, 53 Units (49 1-BD, 4-2BD)
Subsidized Affordable Housing (tenant income limits apply)



359 Main Street, 17 Units (3-2BD, 12-1BD, 2 studios)
Subsidized Affordable Housing (tenant income limits apply)

¹⁵ Photos taken by FinePoint Associates, August 2020



456 Main Street, 17 Units (6-2BD, 7-1BD, 4 studios)
Subsidized Affordable Housing (tenant income limits apply)



222 Main Street, 10 units (1-3BD, 4-2BD, 5-1BD)



435 Main Street, 9 units (8-1BD, 1 EFF)



413 Main Street, 8 units (8-1BD)



477 Main Street, 8 units (4-2BD, 4-1BD)
Subsidized Affordable Housing (income limits apply)



498 Main Street, 8 units (4-1BD, 1-2BD, 3 EFF)



573 Main Street, 6 Units (4-1BD, 1-2BD, 1-3BD)



609 Main Street, 6 Units (6-1 BD)



585 Main Street, 5 Units (4-3BD, 1-4BD)



447 Main Street, 4 Units (4-1 BD)



304 Main Street, 2 Units

Housing Off Main Street – Examples¹⁶



121 Marble, 3 buildings, 6 apartments in each, 18 total units



230 Exchange St, 8 units (8 - 1BD)



303 South, 5 Units (1-1BD, 2-2BD, 1-3BD, 1-4BD)



401 South St, 6 units (1-1BD, 5-2BD)

¹⁶ Photos taken by FinePoint Associates, August 2020



225 Walnut, 3 units (3-family)



91 Canal, 2 units (2-family)



57 Walnut, 1 unit (single-family)

Part 3

Market Demand

Summary Overview of Demand

There is demand for additional housing in Athol. The population is growing (although at a slower rate than the County and the state) and additional units will be needed to accommodate expected growth. According to local Realtors current vacancy rates among rental units is very low. Given business growth and rising housing costs in the Greater Worcester area, there may be demand from households work in the Worcester area but find themselves priced out of the closer- in housing market. The same might be true for employees working in Amherst and the 495 area.

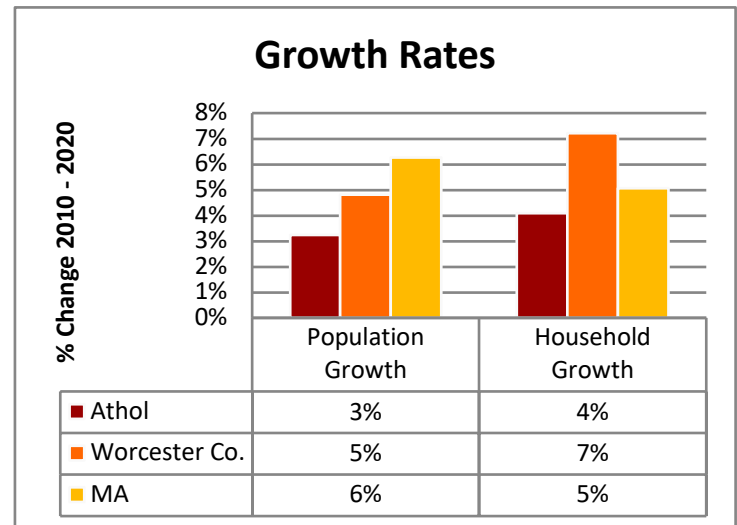
The demand for housing specifically in Downtown Athol is most likely to come from two segments: 1) low-to-moderate income singles and young families and 2) senior singles and couples, some downsizing from homes and looking for maintenance-free housing options and most with moderate means).

Currently, the housing product most appropriate and most in demand in Downtown Athol appears to be low-cost multi-family rental units. There is no current evidence of demand for condominiums or among young higher-income renters in Downtown. This may change in the future but this is the current consensus among local realtors.

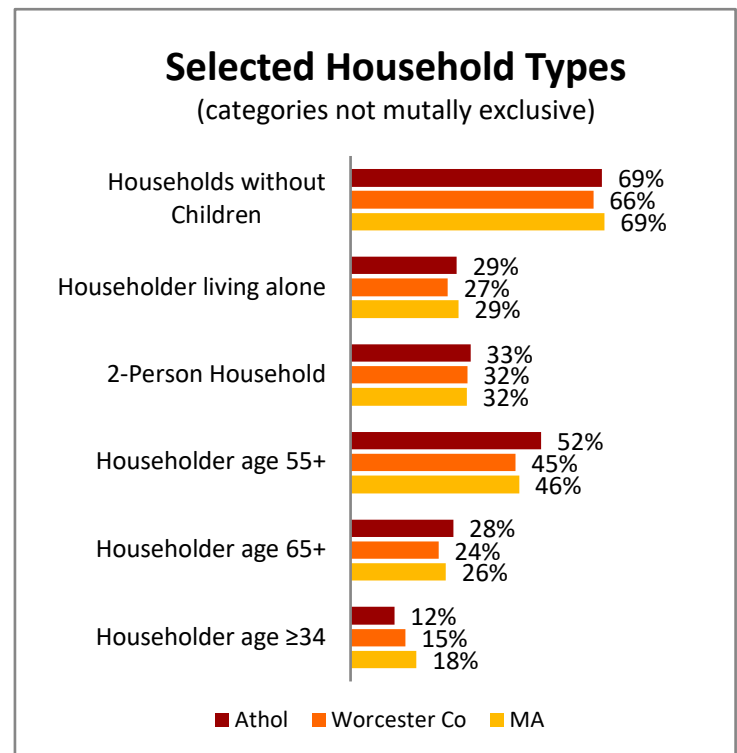
Athol Demographic Analysis

Population and Household Trends¹⁷

Athol's estimated 2020 population is 11,960 with a household count of 4,846. Both the population and number of households have increased over the last decade, however at a slower rate than Worcester County and the state. Athol experienced 2.6% growth in population between 2000 and 2010 and 3.3% between 2010 and the current 2020 estimate.



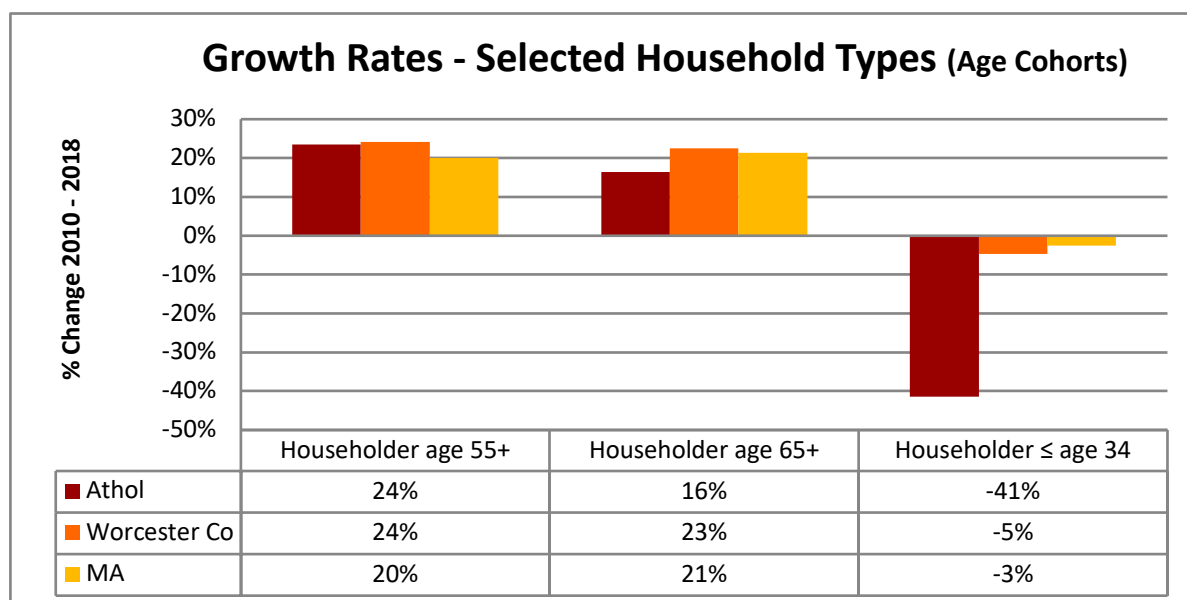
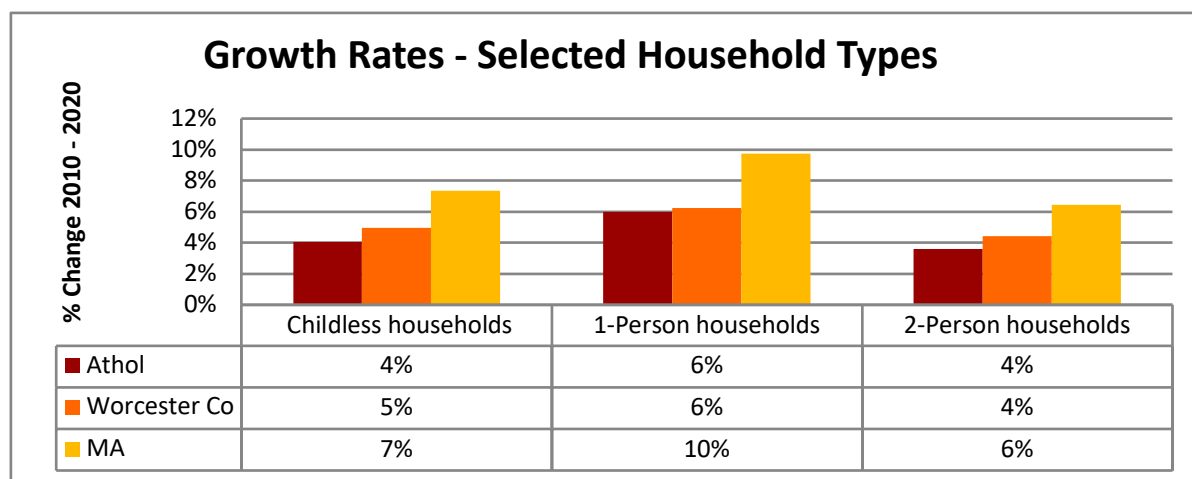
Typically, the types of households that are natural target segments for Downtown housing include: childless households, 1 and 2 person households, seniors, and young households. Several of these segments are in strong supply in Athol. 69% percent of Athol households do not contain children, 62% are comprised of 2 persons or less and 52% are senior households (age 55+). On the other hand, young households (age 34 and below) comprise only 12% of households in Athol, a smaller representation than in both the county or state.



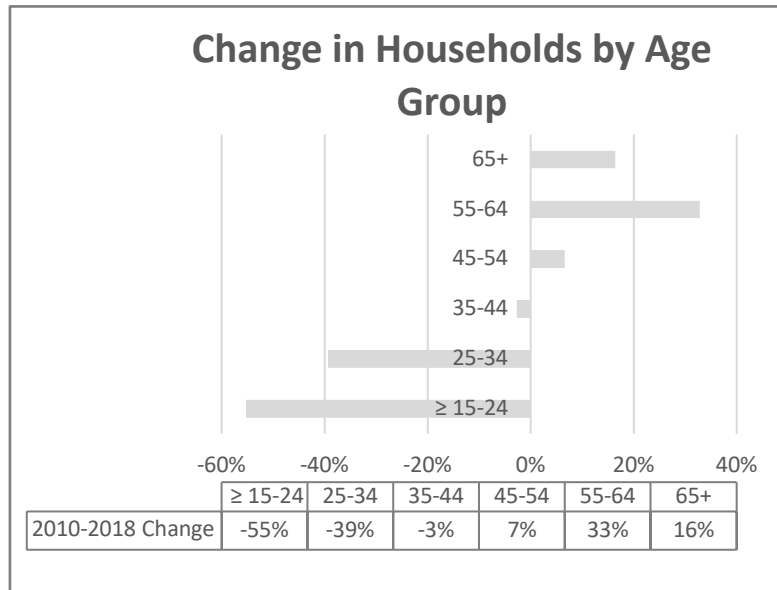
¹⁷ Source: US Census 2010, Social Explorer ACS 2018 (5-year estimates), 2020 Estimate Environments Analytics, Selected Household Type data by size and presence of children are 2020 estimates, Selected Household Type data by age cohorts are 2018 estimates
www.FinePointAssociates.com

The following charts illustrate growth trends among the selected household types. Several segments typically targeted by Downtown housing have been increasing in Athol (childless households, 1 and 2 person households, older households) while young households have declined dramatically. Households headed by residents age 55 and above increased by 24% between 2010 and 2018, similar to the increase in Worcester County and higher than the state overall. The number of childless households and 1 and 2-person households also increased (4% and 6% respectively Between 2010 and 2020).

On the other hand, the number of younger households (age 34 or below) has declined substantially by 41% in Athol. Worcester County and Massachusetts has also experienced a decline in this segment but to a much lesser degree.



Athol has experienced significant growth in households headed by older residents and a significant decline in younger households. The growth rate in senior market segments between 2010 and 2018 (those 55 to 64 and those over age 65) was 33% and 16%, respectively. The young household segments declined very dramatically; the age 15 to 24 segment declined by 55% and the age 25 to 34 segment declined by 39%.

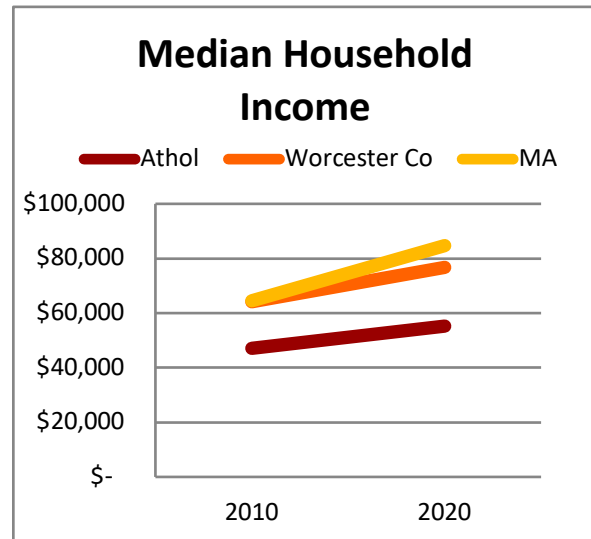


Athol Trends ¹⁸	2010	2018/2020	% Change
Population	11,584	11,960	3%
Total households	4,656	4,846	4%
Average household size	2.46	2.44	-1%
Selected household types			
Households without Children	3,193	3,323	4%
Householder living alone	1,323	1,402	6%
2-Person Household	1,531	1,586	4%
Householder age 55+	1,971	2,435	24%
Householder age 25-34	1,114	1,297	16%
Householder ≥ age 24	999	586	-41%

¹⁸ Source: US Census 2010, Social Explorer ACS 2018 (5-year estimates), 2020 Estimate Environments Analytics, Selected Household Type data by size and presence of children are 2020 estimates, Selected Household Type data by age cohorts are 2018 estimates
www.FinePointAssociates.com

Income¹⁹

Athol has a mix of incomes but it is predominantly a low to moderate income community. The 2020 median household income in Athol is estimated at \$55,227, about 28% lower than the median household income in the county and 35% lower than the state. Between 2010 and 2020, median household income in Athol grew 17% compared to 20% in the county and 31% in the state.



Income (2020 Estimate)	Athol	Worcester County	MA
Under \$15,000	12%	10%	9%
\$15,000-24,999	11%	7%	7%
\$25,000-34,999	9%	7%	6%
\$35,000-49,999	15%	10%	9%
\$50,000-74,999	16%	15%	13%
\$75,000-99,999	12%	12%	12%
\$100,000-149,999	10%	19%	19%
\$150,000-199,999	8%	5%	8%
\$200,000 or More	3%	11%	15%
Median Household Income	\$55,227	\$76,733	\$84,700
Average Household Income	\$72,122	\$105,053	\$120,312

¹⁹ Social Explorer ACS 2010 (5-year estimates), 2020 Estimate EnviroNics Analytics

Housing Needs Analysis

Estimation of Housing Need

To shed some light on the housing needs in Athol, we can use the simple model illustrated in the following table to approximate the number of additional housing units that will be needed assuming a specific projected growth rate. The UMass Donahue Institute (in partnership with the Department of Transportation) has developed a population projection of 12,399 for Athol in the year 2030. If that projection growth is realized and assuming a reasonable vacancy rate, there will be a need for an additional 343 housing units in Athol. A couple of caveats should be noted. This calculation assumes that average household size remains constant, when in fact, average household size might decrease given the aging population, and it does not account for any current units that might be beyond repair/unsuitable for habitation.

Projected Housing Unit Need (based on projected growth ²⁰)	2030
Projected Community Housing Needs	
Projected Population	12,399
(-) Number of Persons in Group Quarters	136
(=) Household Population	12,263
(÷) Average Household Size	2.44
(=) Projected Households	5,026
(×) 1 + Vacancy Rate	1.03
(=) Proj. # Housing Units Needed	5,177
Projected Community Housing Available (Supply)	
Existing Housing Units (not including seasonal/occasional use units)	4,834
(-) Proj. # Units Beyond Repair/Not Suitable for Habitation	Unknown
(=) Proj. # Housing Units Available	4,834
Demand for Additional Community Housing Units	
Proj. # Housing Units Needed	5,177
(-) Proj. # Housing Units Available	4,834
(=) Proj. # Additional Units Needed	343 plus the number of units "Beyond Repair/Not Suitable for Habitation"

²⁰ Central Massachusetts Regional Planning Commission Growth Projections

Explanation of “Projected Housing Unit Need” Table

We used the projections for population that were developed by UMDI-DOT and estimated the number of households assuming the current average household size and percentage of population in households.

We accounted for a vacancy rate of 3% which means there will be a need for 5,227 units to accommodate the projected population growth by 2030. A vacancy rate of 3% seems to be a reasonable rate to use in our projections, given that 3% is considered the minimum needed for a healthy market that supports housing choice. (According to HUD, an overall vacancy rate of 3% allows consumers adequate choice. For owner-occupied housing, an acceptable rate is 1.5% and for rental housing it is 5%.)

There are 5,380 housing units in Athol, but 546 are occasional/seasonal use units. If we assume they will remain so, we can estimate that Athol has 4,834 housing units available for full time residents. Some of these units be extreme disrepair or otherwise unsuitable for habitation, but we do not have information about the number of units that are uninhabitable.

If we assume that there will not be any units beyond repair by 2030, there will be a need for approximately 343 units if the projected population growth is realized.

As stated above, it should also be noted that the calculation in this table assumes that average household size will remain constant. If household size decreases, more units will be needed to accommodate the projected population.

Perspectives from Local Real Estate Professionals

Downtown Residents & Type of Housing Demand

The Realtors and building owners we interviewed (in August 2020) indicated that the Downtown study area is currently home to mostly low and moderate income renters. There are many renters in Downtown working at minimum or just above minimum wage jobs as well as many individuals dependent on social security/disability payments.

There appears to be low demand for apartments among higher income segments in large part due to the fact that housing prices in Athol are so reasonable. The Realtors acknowledged that households with above moderate incomes are more likely to opt to buy single-family homes in the area (available for around \$200,000) rather than rent. There is currently no evidence of a young higher income market seeking Downtown apartments in the area and Athol does not have a commuter rail station or other amenities that typically attracts this segment.

The Realtors agreed there is demand for apartments among low to moderate income renters. They cited a very low apartment vacancy rate in Athol and said they frequently receive inquiries from potential renters. The Realtors cited the Pequoig Hotel property as an example of desirable housing for Downtown. The Pequoig property is a renovated historic hotel originally financed with a Massachusetts Housing Finance Agency Loan in 1982 and a Section 8 Project Based Rental Assistance contract (which provides an ongoing rental subsidy for each unit rented to tenants that meet income guidelines).

The Realtors also agreed that there is a specific need and demand for housing for older residents (age 55+), particularly households with moderate incomes. This segment includes empty nesters that need less space and no longer want the maintenance or cost of homeownership. They pointed to the School Street Residences (SSR) as an example of housing that would be successful in Downtown Athol. SSR is a renovated junior high school that was financed with HOME funding and offers subsidized rental rates to seniors that meet income guidelines.

Both the Realtors and the building owners highlighted the high cost of building renovation necessary to create housing units in existing buildings (not to mention new construction) compared to the fairly modest rent levels that would be achievable in Downtown. The high cost renovation items most frequently mentioned were updating of fire safety/sprinkler systems and, in some cases, elevator installation (triggered by the amount of renovation being done as a percentage of total building value). Those we interviewed indicated the projected rents could not support the investment in most Downtown buildings and that it would be very difficult/impossible to attract private market development without some type of subsidy.

Changes that might Increase Housing Demand

The following list represents the most frequent comments we heard from Realtors, building owners and others concerning the changes that would enhance the desirability of Downtown as a place to live and encourage the attraction of residential tenants.

- Addressed safety issues, perception of safety and drug activity in Downtown
- Improved cleanliness and maintenance in the public realm (sidewalk and streetscape maintenance, trash/street cleaning, etc.)
- Enhanced transportation (especially train/commuter rail)
- Better upkeep of private property
- Businesses/services that people can walk to especially coffee shop

(Apartment rental rates and vacancy rates are reported in the Housing Supply Section of this Report.)

Local and Regional Economic Context and Trends

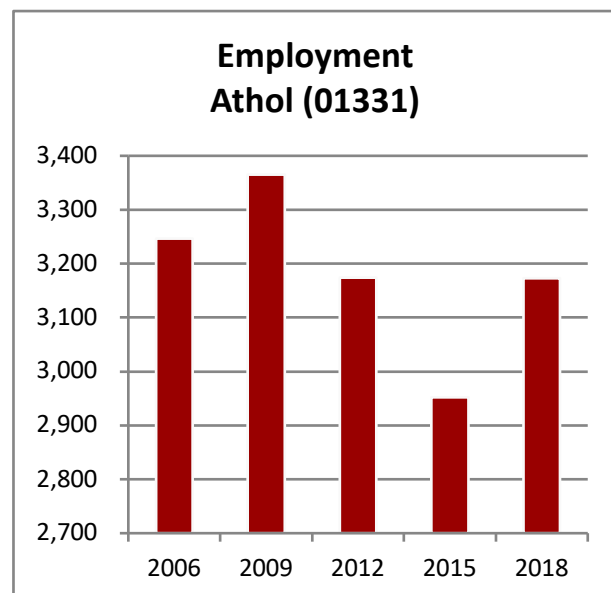
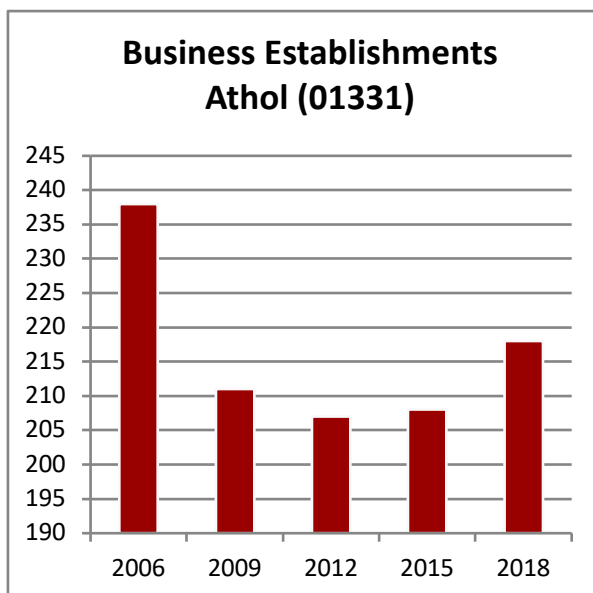
To be able to pay for housing, residents need jobs. Employment opportunities may be available within Athol or surrounding communities. Athol is located in western Worcester County, 40 - 50 miles northwest of Worcester, 26 miles east of Greenfield, 25 miles from Amherst and the five-college area, and 54 miles from the 495 area.

Athol Economy²¹

There are approximately 218 business establishments in Athol with total employment of 3,173. The number of businesses and jobs declined after the recession (2008 – 2009) but have been increasing since 2015. Employment increased an average of 2.5% per year between 2015 and 2018 close to the same rate as the county overall. However, the job count has still not quite gotten back to the pre-recession level, employment in 2018 is about 2% less than it was in 2006.

Average wage per job in Athol was \$36,155 in 2018 compared to \$51,227 in Worcester County.

Recent new business growth in Athol has included retail and restaurant development at North Quabbin Commons and the redevelopment of the Union Twist Drill Site for marijuana production.



²¹ Zip Code Business Patterns, 2006 - 2018

Athol Businesses by Industry Sector (2018)

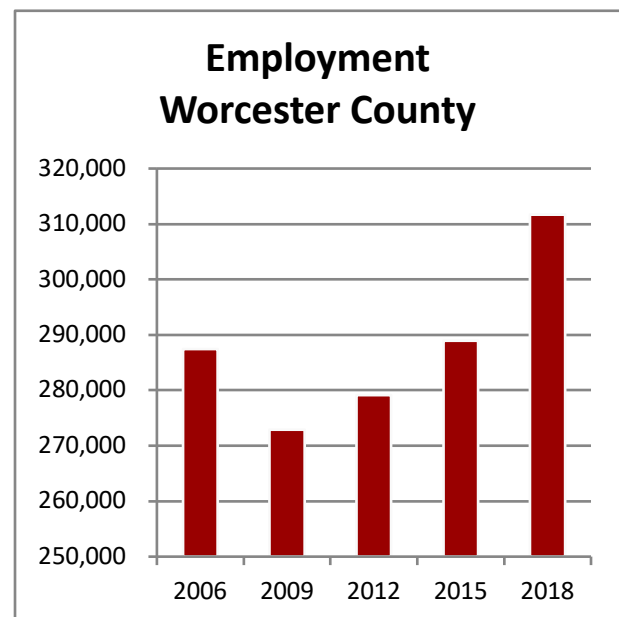
Utilities	0	Professional, scientific, and technical services	8
Construction	24	Management of companies and enterprises	0
Manufacturing	9	Admin. Support and Waste Mgmt/Remediation	6
Wholesale trade	6	Educational services	0
Retail trade	43	Health care and social assistance	33
Transportation and warehousing	6	Arts, entertainment, and recreation	3
Information	3	Accommodation and food services	25
Finance and insurance	12	Other services (except public administration)	25
Real estate and rental and leasing	12	Industries not classified	0
TOTAL			218

Worcester County Economy

There has been significant job growth in Worcester County overall in the last decade and current employment has far exceeded the pre-recession level. Employment increased an average of 2.6% per year between 2015 and 2018 close to the same rate as Athol. The job count has surpassed the pre-recession level, employment in 2018 is 8% higher than it was in 2006²².

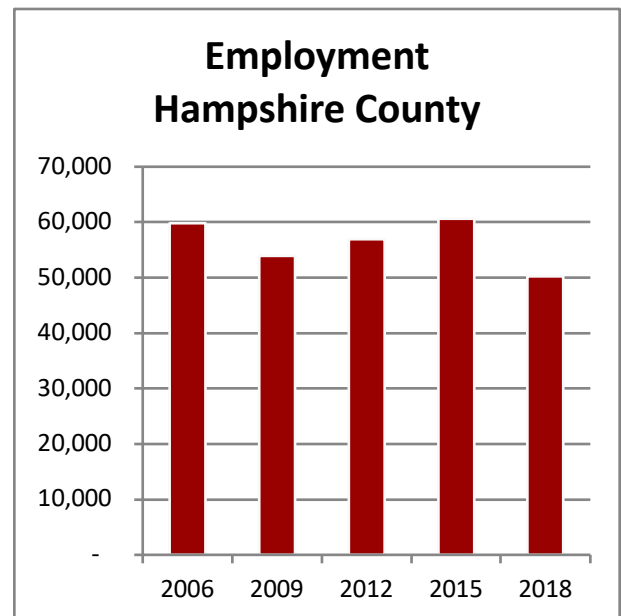
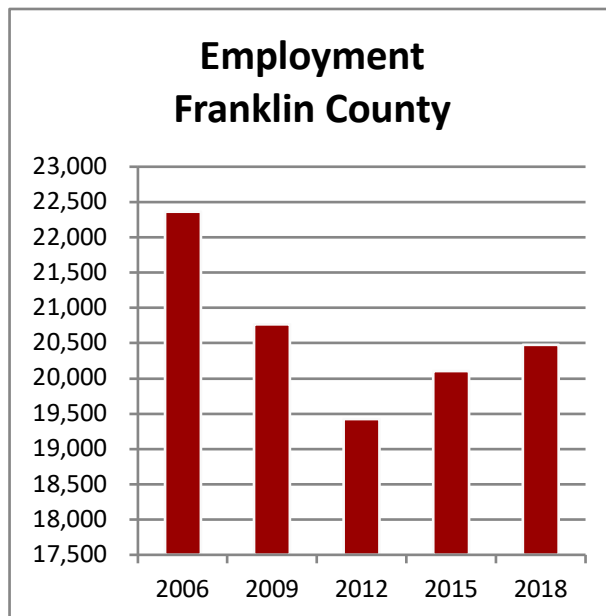
Average wage per job in 2018 was \$51,227.

The city of Worcester where most of the employment growth is occurring is within a 1-hour commute from Athol. Realtors we interviewed suggested that Athol is likely to see more potential renters and buyers that work in the Greater Worcester area but have been priced out of closer housing opportunities.



The City of Greenfield in Franklin County and the Amherst five-college area in Hampshire County are within a 40-minute commute and also may provide employment opportunities for Athol residents. However, these areas are not experiencing job growth. Average wage per job in 2018 was \$42,010 in Franklin County and \$39,741 in Hampshire County.

²² County Business Patterns, 2006 - 2018



Part 4

Housing Affordability --- Analysis

Affordability Analysis

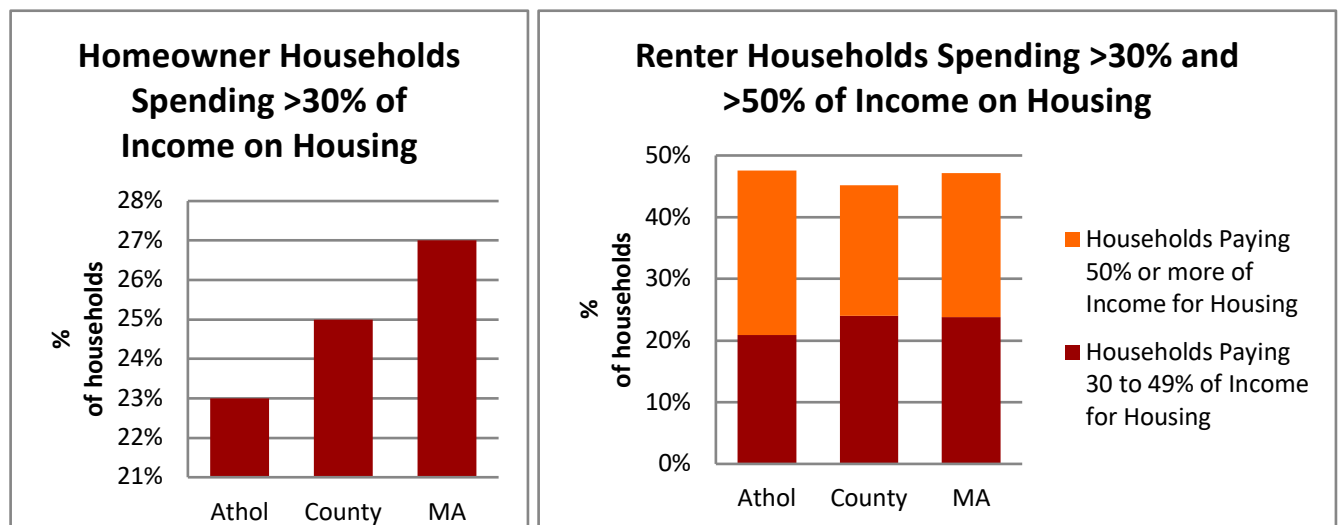
Housing Affordability – Home Ownership²³

The typical standard for housing affordability is 30% of income. In other words, it is considered reasonable and “affordable” to pay housing costs up to 30% of a family’s income. For rental units, housing cost means rent and utilities. For homeownership units, housing cost includes: mortgage payment, real estate taxes and insurance.

While many homeowners in Athol are paying more than 30% of their income for housing, Athol residents are faring better than residents of the county and state. According to 2018 ACS data, approximately 23% of Athol’s owner-occupied households are paying more than 30% of their income to cover housing costs. This percentage is the same as the U.S. average and lower than Worcester County (25%) and the state (27%).

Housing Affordability – Rental Housing²⁴

The problem of affordability among renters is more pronounced and renter households in Athol are not faring as well as renters in Worcester county and the state. Close to one- half (48%) of households that rent apartments in Athol are paying more than 30% of their income for housing. Furthermore, 27% of renter households in Athol are severely burdened, paying more than 50% of their income for housing compared to 21% in the county and 23% in the state.



²³ Social Explorer - American Community Survey 2010 and 2018 (5 Year Estimates)

²⁴ Social Explorer - American Community Survey 2010 and 2018 (5 Year Estimates)

Athol Residents Income Eligibility

HUD defines specific income guidelines for each area to establish eligibility for affordable housing programs. Various housing programs target populations based on their percentage of Area Median Income (AMI). For example, the tenant-based Section 8 Housing Choice Voucher program is eligible only to “50% AMI” families and Public Housing Authorities must target at least 75% of their vouchers to “30% AMI” families. Other programs such as the Low-Income Tax Credit Program, Home Investment Partnership Program (HOME) and Massachusetts Rental Voucher Program also use AMI thresholds to set income limits for the tenants of their subsidized housing units.

The following chart shows the 2020 Income Limits based on the number of persons per household.

An estimated 37% of residents in Athol have household incomes below 50% AMI and fall into the “Very Low Income” category²⁵.

Western Worcester County Income Guidelines 2020								
INCOME CATEGORY	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
30% AMI	\$18,550	\$21,200	\$28,850	\$26,500	\$30,680	\$35,160	\$39,640	\$44,120
50% AMI	\$30,950	\$35,400	\$39,800	\$44,200	\$47,750	\$51,300	\$54,850	\$58,350
80% AMI	\$49,500	\$56,600	\$63,650	\$70,700	\$76,400	\$82,050	\$87,700	\$93,350

Subsidized Housing and Other Housing Assistance

Subsidized Housing Units

Under Massachusetts General Law Chapter 40B, towns are encouraged to ensure that 10% of their housing units are affordable to households earning less than 80% of AMI. The Subsidized Housing Inventory is used to measure a community’s stock of low and moderate income (LMI) housing for the purposes of M.G.L. Chapter 40B.

The units that get counted as part of the “subsidized inventory” are typically:

- 1) Rental units that are funded with an on-going eligible subsidy program which keeps the rent levels affordable to LMI individuals,
- 2) Rental units that were developed with tax credit or other eligible special financing that requires rents be kept low for an extended affordability period or

²⁵ www.policymap.org

- 3) Homeownership units that were developed by a nonprofit housing developer using government grants, housing trust fund dollars, and/or charitable contributions, and offered at an affordable sales price to LMI buyers, (with resale restrictions).

Approximately 19% of Massachusetts communities have met the 10% state goal. While Athol is closer to meeting their affordable housing goal than other communities in Western Worcester County, the Town remains shy of the 10% threshold. According to the September, 2017 DHCD Subsidized Housing Inventory (SHI), Athol has 311 subsidized housing units, representing approximately 6% of its total housing units.

An inventory of subsidized housing in Athol is presented in the following chart. As noted, four of these properties are located in the Downtown study area.

Subsidized Housing	Address	Type	Approx. Subsidized Units	Program Funding
Pequoig House*	416 Main St	Rental	53	MHFA Loan/Section 8
Dumont Realty Trust*	359 Main St	Rental	17	LIHTC/ MRV
Delta Apartments*	477 Main St	Rental	8	LIHTC/ MRV
456 Main Street*	456 Main St	Rental	17	MRV
Lakeside Apartments	Gibson Dr	Rental	50	Chapter 67 Elderly/Disabled
Morton Meadow**	21 Morton Meadows	Rental	28	Chapter 67 Elderly/Disabled
NA	Park St, Kennebunk St	Rental	5	Chapter 705 Family Housing
NA	Partridgeville Rd	Rental	3	Chapter 705 Family Housing
Ferron Circle	Partridgeville Rd	Rental	8	Chapter 705 Family Housing
Cottage Development	701 Cottage St	Rental	30	Section 8, HOME
Cottage-Hapgood	25 Cheney St	Rental	5	LIHTC/ MRV
DDS Group Homes	Confidential	Rental	32	DDS
Athol Home Ownership Rehab Program (HOR)	Various	Ownership	5	Athol Home Ownership Rehab Program (HOR)
School Street Residences	494 School St	Rental	50	MHP, HOME

* Located in Downtown Study Area

Perspectives and Information from Affordable Housing Providers

Athol Housing Authority

The Athol Housing Authority (AHA) owns 98 housing units. These units are fully occupied with a substantial waiting list. AHA does not have any units in the Downtown study area but they do manage 38 project-based Massachusetts Rental Vouchers associated with Downtown buildings and 58 Section 8 tenant-based vouchers, of which 19 are currently being used in Downtown.

Christi Martin, Executive Director, said there is substantial demand for very low-cost subsidized housing. She noted: “The average renter we see needs housing at \$400 per month including heat and utilities. In Athol, she feels there is a particularly large unmet need is for low-cost small family units especially 1-bedrooms. Currently, the majority of the housing authority units are targeted to elderly and disabled individuals. She sees a need to assist low-wage working singles and couples.

When asked about the availability of apartments in Athol and especially in Downtown, Ms. Martin indicated that right now apartments are hard to find. As for whether Downtown would be a good place for additional subsidized housing, she indicated that while the bus system and access to medical services are not as good as eastern parts of the state, Downtown Athol does have some walkable retail. In fact, she said that some tenants are particularly interested in living in the AHA’s Morton Meadow property because of its proximity to Downtown.

NewVue Communities

NewVue Communities is a nonprofit organization dedicated to creating strong and healthy neighborhoods where residents choose to live, work, and invest. NewVue Communities is the only community development corporation serving the 240,000 residents of North Central Massachusetts, a region of 22 municipalities stretching from Harvard to Athol.

New Vue is planning to redevelop the River Bend and Bigelow Schools in Athol and provide 53 units of affordable housing. This will be intra-generational housing with a portion reserved for seniors. Most units will have rent levels affordable to families with 60% AMI (Area Median Income) or 30% AMI as most affordable housing projects, however 13 of the units will be designated as “workforce housing” available to families up to 80% AMI.

The expected cost will be \$22.5 million and the plan is to use both state and federal low income and historic tax credits, workforce housing funds from the State Housing Finance Agency and several soft debt programs (e.g., Housing Sstabilization, Housing Trust Fund, Community-based Housing, etc.) New Vue also plans to apply for eight Section 8 vouchers.

The timeframe for completion is likely about 4 years away according to Anne Reitmayer of New Vue. This lengthy projection is primarily due to funding application cycles for tax credits (needing several funding allocations of Historic Tax Credits and most likely having to go through a few application rounds before being awarded Low Income Housing Tax Credits).

When asked about the need for affordable housing in Athol, Ms. Reitmayer said that New Vue completed a rudimentary market study when they initiated their project and found a clear demand for affordable units that far exceeded the supply. She also noted that community focus groups held during the planning phase pointed to particular concern for more affordable senior housing.

When asked if New Vue would be interested in developing affordable units in Downtown Athol, Ms. Reitmayer said “maybe down the road, but given what else we have on our plate, it wouldn’t be anytime soon”. She also pointed out that a big obstacle with these kinds of projects is often the achievable rents levels. She noted that it is a struggle to make projects work financially in Fitchburg and the rents are even lower in Athol.

Part 5

Issues Impacting Housing Development --- and Strategies for Consideration

Potential Housing Development Site Examples

The opportunities for additional housing development in Downtown Athol fall into two main categories:

- Renovation/adaptive reuse of upper floors in existing buildings
- Demolition/new construction on vacant/underutilized sites

Renovation/Adaptive Reuse of Upper Floors

There are several buildings with vacant or underutilized upper floors along Main Street. The owner of 491 Main Street has expressed some interest in creating housing units in the upper two floors (although he has concerns about the financial feasibility). This building already has an elevator which provides a distinct advantage. Several other buildings do not have elevators.

Examples of Underutilized Upper Floors²⁶



491 Main Street



501 Main Street

Demolition/New Construction on Vacant/Underutilized Sites

There are several vacant or underutilized sites within Downtown where demolition/new construction could occur including 7 properties classified as abandoned.

To determine appropriate potential sites we conducted a physical assessment, reviewed the report prepared by the BSC Group in 2019, Due Diligence and Master Planning for Development Sites in Downtown Athol, and interviewed BSC representatives, local Realtors, and Athol's Director of Planning and Development.

²⁶ Photos taken by FinePoint Associates, August 2020

Below is a listing of potential housing development opportunities (see photos on following page).

Exchange Street Corridor Sites

1. The east side of Exchange Street, south of Main Street contains long vacant and deteriorated properties (e.g., Maroni building, Plotkins Furniture site). This area is also part of the proposed Downtown Athol Urban Renewal Plan.
2. The east side of Exchange Street north of Main Street contains a large amount of underutilized property
3. There is a vacant Town-owned fire station on the west side of Exchange Street, north of Main Street

339 Main Street

The large, 62,000 s.f. industrial building (commonly referred to as “the casket factory”) is another example of an underutilized property that might provide potential opportunity for housing development in the future.

Lord Pond Plaza

If the plaza (much of which the town owns) were to be redeveloped, there may be opportunity for the addition of housing. Senior housing was suggested for this location given the close proximity to the existing senior center.

Examples of Vacant/Underutilized Sites for Potential Demolition/ New Consturction ²⁷



Exchange Street South of Main Street



Exchange Street South of Main Street



Town-owned Fire Station (Exchange Street)



Casket Factory Building (339 Main Street)



339 Main Street

Lord Pond Plaza

²⁷ Photos taken by FinePoint Associates, August 2020

Issues/Conditions Impacting Housing Development

Lack of amenities and other conditions Downtown may discourage potential new residents while low rents compared to the high cost of creating new units prevent developers from making investment. Factors inhibiting the development of housing in Downtown Athol are highlighted below.

1. **Downtown Athol has some of the ingredients that potential Town Center residents look for in a neighborhood but lacks others.** The traditional historic setting, access to retail and eating places, and proximity to the YMCA, library and Senior Center is a plus, but the lack of a supermarket, limited restaurants, run-down appearance, and perception of safety issues might deter potential residents.

What Potential Downtown Residents Look For	Downtown Athol
Proximity to shopping and dining (groceries and restaurants most important)	<ul style="list-style-type: none"> • There is no supermarket in Downtown Athol, however, there is a pharmacy and a large discount store (Ocean State Job Lot) which carries many household items, health and beauty products. A few dining options are available (e.g., Mexican restaurant, breakfast shop, pizza). • The business district does not appear very lively.
Attractive physical setting and ability to enjoy outside space	<ul style="list-style-type: none"> • Downtown Athol has a relatively still in-tact distinct traditional town center with historic structures, however the overall appearance is somewhat run down. • Several properties are in disrepair and have unattractive and/or “tired-looking” storefronts and signage. • Downtown has limited public social space. There is a memorial plaza but it does not provide any seating or social space and a very small green space next to the bank.
Social Foci, places to go to interact with people	<ul style="list-style-type: none"> • YMCA, Athol Library and Senior Center is conveniently located in Downtown. • Limited social/cultural activities; no all-day coffee shop. • No town common/central event space where people could sit, gather and attend special events
Concern for Safety (especially older segment)	<ul style="list-style-type: none"> • A couple people we interviewed mentioned a negative image or perception that the area might not be safe. This concern about safety was mentioned in some other previous studies as well.
Public transportation	<ul style="list-style-type: none"> • There is public bus service to Orange and Gardner with local stops such as Market Basket supermarket (North Quabbin Commons). • There is not good bus service to Worcester.
Convenient parking	<ul style="list-style-type: none"> • Parking is plentiful but some improvements are needed as described in the 2012 Downtown Athol Parking Plan.

2. **The current achievable rent levels for apartments in Athol are relatively low and limit the amount of capital that building owners/developers are willing to invest.**

- a. Typical rents in Athol are relatively modest: 1 bedroom: \$600 – 800, 2 bedrooms: \$900 – 1,100, 3 bedrooms: \$1,000 – 1,300. Our review of rental listings showed rents for available Downtown apartments at the low end of these ranges.
- b. The following high-level analysis uses rough estimates and is only for illustration but it does provide a general idea of the amount of investment that a specified rent level could be supported. (Actual operating costs and rents will vary with each building and unit configuration.)

PRELIMINARY INVESTMENT ANALYSIS

Assuming an average unit rent of \$950, an estimate for Athol property taxes, and national averages for other operating expenses (which might be high for Athol), the net operating income per unit would be \$6,152. If the investor is looking for a 10% return, she or he could only invest up to \$61,520 per unit for purchase and construction/rehab.

Investment Pro Forma Illustration (Per Unit)	
Average Rent/Unit/Month	\$950
Annual Revenue	
Gross Potential Rent	\$11,400
- Vacancy/Collection Loss	\$798
Total Revenue	\$10,602
Annual Operating Expenses	
- Taxes	\$750
- Other Operating Expenses ²⁸ (Insurance, Maintenance, Management, Marketing, Common Area Utilities, etc.)	\$3,700
Total Operating Expenses	\$4,450
Net Operating Income	\$6,152
Investor Desired Rate of Return ²⁹	10%
Max Amount That Can Be Invested (incl. purchase price)	\$61,520

²⁸ National Average for apartment buildings, might be high for Athol, National Apartment Association 2019 Survey

²⁹ According to RealtyRate.com, average cap rate for apartments in 2019 was 7.92%.

3. The cost for new construction of apartments exceeds the investment amount supported by the current rent levels.

- a. The cost to develop new apartments varies widely depending on the number of stories, quality of finishes, amenities, etc. The national average for new apartment buildings is north of \$200,000 per unit.
- b. The proposed Bigelow/River Bend School Project in Athol provides a good illustration of how expensive it can be to develop apartments. This project includes renovating two school buildings to create 53 apartments. The total cost is estimated at \$22.5 million which works out to be \$424,528 per unit. This project is particularly expensive due to historic preservation considerations, adapting existing structures, New England labor rates and legal and administrative cost associated with tax credit and other financing sources. The project is only financially possible with public subsidies in the form of tax credits, soft debt sources and on-going rental subsidy for some of the units. (In exchange for the public subsidies, the housing units must remain affordable to lower income tenants.)
- c. Property owners and real estate professionals we interviewed indicated that it was their belief that the projected after-rehab rents in Downtown could not justify the expenditure and risk required to make all improvements necessary.

4. The cost of renovating upper floors of existing buildings may also exceed the investment amount supported by the current rent levels depending on building conditions. Several factors influence the cost of renovation

- a. Deferred maintenance has left buildings in poor condition. The recent slums and blight inventory reported that 49% of all properties were in poor or fair condition. Seven properties are classified as abandoned. The lack of ongoing maintenance and updating has led to substantial renovation needs and the cost is a significant impediment.
- b. The buildings are predominantly multi-story structures (2 – 4 stories), most with no elevators. The cost of providing elevators is expensive, particularly in smaller buildings where the cost is spread over fewer units.

The lack of an elevator tends to restrict market segments and rents. Often, “the more stairs you have to walk up, the less rent you can get” and there is a reduced number of potential tenants that are willing /able to live in 2 or 3 story walk-ups. “The older the tenant, the less stairs they want.”

In addition, a requirement for an elevator may be triggered by the amount of renovation work that is being done to a structure. The cost of providing elevators is expensive, particularly in smaller buildings where the cost is spread over fewer units.

- c. The new residential use, number of units and/or the fact that renovation is taking place triggers requirement for updated systems and features to meet building codes.

Common issues/renovation requirements for Downtown properties with 3+ units include:

- New or updated sprinkler systems required by building code
- De-Leading may be required by health/building codes.
- Egress requirements.

5. The market demand for additional housing units in Downtown is primarily for modestly priced apartments.

- a. There is no current evidence of demand for condominiums or for apartments targeted to young higher-income renters in Downtown. This may change in the future but this is the current consensus among local realtors.
- b. The demand for housing in Downtown Athol is most likely to come from two segments: 1) low-to-moderate income singles and young families and 2) senior singles and couples, some downsizing from homes and looking for maintenance-free housing options and most with fairly moderate means). These segments require rent levels they can afford.

6. There is a need for additional good-quality affordable housing in Athol. Access to public transit and some services makes Downtown a convenient location for low-income residents.

- a. Athol has not met the 10% state goal for affordable housing. Close to one-half (48%) of households that rent apartments in Athol are paying more than 30% of their income for housing and 27% of renter households are paying more than 50% of their income.
- b. Although there are many low-cost housing units in the Downtown area, there is concern about the condition and suitability of existing units. Local building and health department representatives we interviewed spoke of the need for higher quality affordable rental units.

7. Aiming to diversify the housing choices in Downtown and striving for a mixed income resident population might help to increase the customer base and, in turn, attract additional retail and restaurants to the area.

- a. Downtown currently contains a substantial concentration of housing targeted to low-income people.
- b. Improved “curb appeal” and amenities may be required to attract a mixed income resident population.
- c. Housing policies and development subsidies may be needed to encourage mixed income development.

8. There are state and federal financing programs to help subsidize the development and operating costs of “affordable housing”. Development subsidies are difficult to use for small projects and are most often used for projects of 50 units or more.

- a. There is a state program for small projects (Community Scale Housing Initiative) which should be explored (See Appendix A), however, the funding allocation for this program moving forward is unclear.
 - b. This funding has a number of strings attached including the units must be rented to households which meet specific income guidelines and not exceed specified rent levels.
9. **We could not find any state or federal financing programs that subsidize the cost of “market rate housing” that does not have income and rent limits, however there may be opportunity to use local funds.**
 - a. There may be opportunities for communities to use local funds or tax policies for this but there does not appear state/federal monies.
 - b. The closest thing we could find is for “**workforce housing**” which still has income limits but they are higher than traditional “affordable housing” typically between 60% and 120% of area median income.
10. **New Vue Communities, a non-profit housing developer, is currently planning a 53-unit affordable housing development in Athol (outside of Downtown) and has experience with Downtown housing projects.**
 - a. The timeframe for completion of the River Bend/Bigelow School project is about 4 years.
 - b. We asked a New Vue representative if the organization would be interested in developing affordable units in Downtown Athol, Ms. Ann Reitmayer said “maybe down the road . . it wouldn’t be anytime soon”. She mentioned that New Vue has completed projects in Downtown Fitchburg and noted some concern about achievable rent levels in Athol.
11. **Some zoning regulations and requirements could be an impediment to housing development in Downtown.**
 - a. The Downtown study area falls almost entirely within the Central Commercial (CA) and General Commercial (G) Zones; a very small portion on Walnut Street is within the Multifamily zone. (A map showing zoning boundaries can be found in Part 1 of this report). The allowable residential development and related regulations in the CA and G zones are listed below.

Central Commercial Zone (CA)	Allowed
Single Family, Two Family	No
Multi-family up to 4 Units	Only on upper floors
Multi-family up above 4 Units	Only on upper floors
On-site parking space req. per unit	0
Max Building Height	50 feet

FAR	1.0
General Commercial Zone (G)	
Single Family, Two Family	Yes
Multi-family up to 4 Units	Special Permit
Multi-family up above 4 Units	Special Permit
On-site parking space req. per unit	2
Max Building Height	35 feet
FAR	.5a

- b. Allowable uses and Parking Requirements - In the Central Commercial zone, multi-family housing is allowed in upper floors and there is no requirement for on-site parking, therefore these regulations do not pose a barrier to housing development in upper floors.

In the General Commercial zone that surrounds the Downtown core, multi-family housing is allowed only by Special Permit. Depending on the level of perceived or real difficulty in obtaining a special permit for multifamily development, the restriction to 2-family might inhibit development/redevelopment of units in this area. In addition, the parking requirements of 2 on-site spaces per unit might create a deterrent to housing development.

Although this could be a barrier, there appears to be some flexibility with parking requirements and the opportunity for shared parking solutions. In the case of the School Street Residences (a 50-unit, age 55+ affordable housing development), located outside of the Downtown study area but within the General Commercial zone, the developer was able to obtain a waiver to the parking requirement. And, if shared parking was allowed, there appears to be opportunities to resolve parking issues. The 2017 Downtown Athol Parking Plan concluded that in general there was plenty of parking in Downtown Athol (albeit needing some improvements) and that “Athol could easily add hundreds more housing units in its downtown” . . . “and other uses without adding another parking space.”

- c. Density Regulations - Development or redevelopment of small properties for housing, especially when rents are modest, is typically less feasible because fixed costs have to be spread over a smaller number of units. Allowing somewhat higher density housing in appropriate in-fill locations can increase financial feasibility. This is true among both market rate unsubsidized housing and subsidized affordable housing. The existing allowable Floor Area Ratio (FAR) thresholds are relatively low for a town center. Many urban designers and smart growth proponents believe that FAR should be at least 1.5 to 3.0 in areas where you are trying to encourage a compact, walkable center.

Strategies for Consideration

If the town wants to encourage housing development in Downtown, we suggest continuing to take actions to improve the public realm and increase amenities that will help to attract residents and send a positive signal to potential investors, eliminate or reduce regulatory barriers that could be inhibiting development, encourage a range of housing choices and a mix of incomes with supportive policies and actions, encourage the development of good quality affordable housing by promoting the use of state and federal development subsidy funds, and consider creating local financing incentives and using town-owned property for development of housing.

The following are suggested actions the Town of Athol could consider to promote additional housing in Downtown.

1. **Continue to take actions to improve the public realm and increase amenities to make Downtown a place where people want to live** while sending a positive message to potential investors.
 - a. Continue to work toward improving transportation options. Extending train service to Athol and expanding bus service that could transport residents to employment opportunities in Worcester, the 495 Corridor and Amherst could increase Downtown's residential market demand.
 - b. Create social gathering, event and recreation spaces in Downtown especially at Lord Pond Plaza and Veteran's Park. Consider redesigning Lord Pond Plaza to include an attractive town common/social gathering space that could be used for special events, activities, pop-ups, etc. Make improvements to Veterans Park to make the space inviting as a place for people to sit and enjoy the outdoors with seating infrastructure, trees and greenery.
2. **Take steps to ensure the Town is, in fact, amenable to housing development by removing or reducing regulatory barriers** and making it clear to potential investors (i.e., parking requirements, floor area ratios, setbacks and lot size, allowing mixed use by right, etc.). Zoning analysis and specific recommendations are beyond the scope of this study but below are potential actions to consider.
 - a. Review the special permit process and results. Consider making multifamily housing allowable as of right in the General Commercial Zone (especially in the Exchange Street Corridor).
 - b. Consider reducing the on-site parking space requirements in the General Commercial Zone (especially in the Exchange Street Corridor) and/or allowing and facilitating the meeting of requirements with shared parking.

- c. Allow higher density housing in appropriate in-fill locations to increase financial feasibility for both subsidized affordable housing and market rate unsubsidized units. Review the current allowable Floor Area Ratio (FAR) regulations, which are relatively low for a town center, and consider increasing. (The communities of Salem, Northampton and Great Barrington have been successful in encouraging housing development by eliminating most of the density regulations such as FAR, setbacks, and lot size, and reducing or eliminating on-site parking requirements.)
3. **Make sure that the Town projects an image/reputation of welcoming development. Look at how the town is perceived by developers and property owners and address any issues.**
 - a. Beyond zoning regulations, the attitude and energy with which the town works with developers can make a big difference. Our limited interviews with property owners and local realtors did not indicate any negative perceptions about the Town's approach with potential developers. Never-the-less, it would be wise to examine approval processes and average decision-making timeframes to see if improvements can be made.
 - b. In addition, proactively promoting the Town's desire for housing development in Downtown could help ensure that potential developers know that the town is welcoming to new development.
4. **Keep the goal of mixed income housing in mind and create policies and programs to encourage a range of housing choices and a mix of incomes (even though there is not currently a strong market demand for above moderate-income housing in Downtown).** Encouraging income diversity among the residents of the Downtown would help to create and support a stronger commercial center. Residents with disposable income living in close proximity are likely to patronize the Downtown businesses (especially restaurants) and have a direct impact on sales and business attraction.
 - a. If/when the town is in the position to offer financial assistance, regulatory relief or use town-owned property, prioritize projects targeted to a mix of resident incomes when possible.
 - b. Encourage a mix of market rate units, subsidized affordable units and workforce housing. Most subsidized affordable housing financing programs target families at 60% AMI (Area Median Income) or 30% AMI. Some programs, designated for workforce housing are available to families up to 80% AMI or higher.
 - c. Encouraging attractive, well-designed and well-managed affordable and workforce housing in Downtown is a step in the right direction toward being able to attract mixed income housing.
5. **Encourage the development of good-quality and well-managed affordable and senior housing in Downtown by promoting the use of state and federal development subsidy funds.**

Projects that use affordable housing development subsidies (such as tax credits and HOME funds) especially those completed by highly experienced non-profit developers typically result in high quality housing. And, the funding sources require these units be monitored regularly and continue to meet housing quality standards. Actions to encourage affordable housing could include:

- a. Facilitate the assembly of parcels large enough for 50+ units, which would increase the chances of financial feasibility and attracting a developer
- b. Partner with an experienced nonprofit developer to target Downtown property for redevelopment (e.g., New Vue Communities). There are many nonprofit development corporations in the State that focus on the development of affordable rental and homeownership units. These organizations have developed expertise in obtaining and structuring financing from the complex array of state financing and federal sources to develop and manage affordable housing units.
- c. See Appendix A for an Overview of Affordable Housing Financing and Specific Financing Sources. Explore the Community Scale Housing Initiative (CSHI) for small projects under 20 units.

6. **Consider creating local programs offering financing incentives and using town-owned property for the development of housing in Downtown.** It appears that public subsidy may be needed to overcome the high cost of development given projected rent levels and provide the nudge needed to get owners to make improvements.

The types of assistance could include:

- low or no interest loans or matching grants to help finance improvements,
- property tax incentives for developers making significant improvements, and/or
- offering town-owned property at reduced cost in exchange for desirable development.

Two tools that could be considered are the Community Preservation Act and the Massachusetts Urban Center Housing Tax Increment Financing Program.

- a. Consider adopting the Community Preservation Act (CPA). CPA is a flexible tool that allows communities to create a local Community Preservation Fund for open space protection, historic preservation, outdoor recreation and affordable housing. CPA funds can support planning and pre-development activities, but can also directly fund the construction of housing for households and individuals earning up to 100% of the area median income.

CPA allows communities to adopt a local property tax surcharge of .5% to 3%. (Exemptions can be provided for seniors and low-income residents.) The funds go into a local community preservation fund and the state provides matching funds from its own Community Preservation Trust Fund.

Currently, 177 cities and towns in Massachusetts have adopted the CPA and are appropriating fund revenues to meet community needs. A “Guide to Accepting the Community Preservation Act” is available at:
www.sec.state.ma.us/ele/elecpc/cpaidx.htm

- b. Consider creating an Urban Center Housing Tax Increment Financing (UCH-TIF) Zone and a UCH-TIF Plan. The UCH-TIF Program is a statutory program authorizing cities and towns to promote housing and commercial development. The UCH-TIF Program provides real estate exemptions on all or part of the increased value (the "Increment") of improved real estate. Tax increment financing may be combined with grants and loans from local, state and federal development programs. The Department of Housing & Community Development's (DHCD) Division of Community Services is responsible for the operation and administration of the UCH-TIF Program. The UCH-TIF Plan must include:
- Development plans for proposed public and private projects in the UCH-TIF Zone
 - Executed agreements with the property owners who will be doing new development and who will be receiving tax increment exemptions ("UCH-TIF Agreements").

A UCH-TIF Agreement provides an annual real estate tax exemption for up to 20 years for all or part of the real estate tax on the increment. The Agreement also specifies the affordable housing to be created and includes an affordable housing restriction which ensures that 25% of the housing assisted by the exemption will be affordable for 40 years or the useful life of the housing, whichever is longer.

Example: The City of Lowell has successfully encouraged the development of Downtown housing with a low interest gap financing program and a Tax Increment Financing Program. (e.g., Lowell Tax Increment Financing (TIF) Program: The City of Lowell offers developers/owners who are making significant improvements to property a chance to negotiate a phased-in increase on the assessed value of the property. This can mean a significant savings in operating costs allowing the projected revenue to cover more debt service and improving the financial feasibility of the project.)

Appendix A:

Affordable Housing Financing Overview and Specific Financing Sources

Overview of Affordable Housing Financing

Overview of Affordable Housing Financing

Adapted from Urban Wire: Housing and Housing Finance, The Blog of Urban Institute, July 26, 2016, <https://www.urban.org/urban-wire/how-affordable-housing-gets-built>

Most affordable housing financing deals involve a mortgage, tax credits, and two or three other sources of money. It's not uncommon, however, for developers to rely on upward of 20 financing sources as they try to fill the gap between what it costs to build affordable housing and the money they have available.

The primary source of development funding is the Low Income Housing Tax Credit (LIHTC), a federal tax credit administered by state agencies. Most affordable housing that gets built receives an allocation of tax credits which provides a substantial income tax credit to investors each year for 10 years. To receive tax credits, a proposed development must dedicate at least either 20 percent of its apartments to people who earn less than half of the area median income or 40 percent of its apartments to people who earn less than 60 percent of area median income. To be affordable, the rent for those apartments must be no more than 30 percent of the target income level. In practice, most properties dedicate most or all of the units to affordable use. The state of Massachusetts offers an additional similar State Tax Credit.

However, tax credits aren't guaranteed, they are allocated through a competitive process administered by the state and typically applications outnumber available credits.

And even if a project receives the tax credit, it's not enough and that is where developers have to get even more creative. Some of the funding to close the gap comes from federal block grants like the HOME Investment Partnerships Program or the Community Development Block Grant Program. Some of it comes from foundations, local trust funds, or state housing trust funds. Sometimes states or localities will give developers relief from their property taxes. For example, in Massachusetts, The Urban Center Housing Tax Increment Financing (UCH-TIF) program provides real estate exemptions on all or part of the increased value (the "Increment") of improved real estate. There are also tax credits for clean energy or for using a historic building.

And then there's rental assistance; the promise of federal or state rental assistance can make a big difference in the development stage because developers can confidently tell lenders and investors that they will have renters and those renters will be able to pay (because the government is actually paying much of the rent). Rental assistance allows developers to serve lower-income renters while still ensuring necessary revenue to operate the property and pay debt service. The HUD Section 8 program (federal) and the Massachusetts Rental Voucher program (state) offer project-based rental assistance.

Financing Sources for Affordable Housing Development

While not exhaustive, the following section provides a large sample of the financing sources and tools available for creating affordable housing.

Financing for Affordable Housing (general)³⁰

Federal Low-Income Housing Tax Credits (LIHTC)

There are two types of credits: 9 percent and 4 percent. The 9 percent credits are more valuable because they raise more equity but they can't be used with projects that use tax-exempt bonds or certain other federal subsidies. Because the credits are granted for 10 years, a \$100 credit award is worth \$1,000. Investors pay 65 to 95 cents per dollar of credit, depending on demand; a \$100 credit award raises \$650 to \$950 in equity. At least 40 percent of the units in a tax credit development must be reserved for households at or below 60 percent of AMI (or at least 20 percent for households with incomes at or below 50 percent of AMI) for at least 30 years. However, because funds are awarded competitively, most developments using 9 percent credits are close to 100 percent affordable and have restrictions up to 99 years.

State Low Income Housing Tax Credits

The Massachusetts state tax low income housing credit program is modeled on the federal 9 percent program and supplements the limited supply of federal credits. Unlike the federal 9 percent credit, however, the state credit is only an offset to state tax liability and is taken over five years, rather than 10. A \$100 credit award, therefore, is worth \$500. State law sets the value of the credits available for allocation each year. DHCD generally awards state credits in tandem with federal credits.

State Housing Bond Fund Programs

Massachusetts finances many of its affordable housing activities by issuing long-term bonds authorized by state legislation (housing bond bills). This allows DHCD to issue bonds for up to a specific dollar amount over a given number of years for specified housing programs. DHCD currently has several bond-funded programs for private housing development and/or rehabilitation including:

- Housing Stabilization Fund,
- Affordable Housing Trust Fund,
- Housing Innovations Fund, Community Based Housing,
- Commercial Area Transit Node Housing Program and
- Capital Improvement and Preservation Fund.

Awards for rental housing are generally made through DHCD's twice-a-year rental rounds.

³⁰ "Housing Toolbox for Massachusetts Communities" Mass Housing Partnership, www.housingtoolbox.org/financing-and-funding/basics

Federal Home Loan Bank Affordable Housing Program

The Federal Home Loan Bank (FHLB) is required by law to make some of its funds available to support affordable housing initiatives. Its best-known program is the FHLB Affordable Housing Program, which provides grants, interest subsidies, and advances to rental and ownership projects.

HOME Investment Partnerships Program (HOME)³¹

The HOME Program is a federally funded program that provides funding to non-profit or for-profit developers for affordable rental housing production and rehabilitation.

Eligible Activities and Affordability Requirements

- Can be used for acquisition and/or rehabilitation of existing structures for rental use
- Must have a minimum of 5 HOME-assisted units
- All HOME-assisted units must be occupied by households earning $\leq 60\%$ of area median income
- At least 20% of HOME units must be affordable to households earning $\leq 50\%$ of area median income

Funding Limits

- \$750,000 to \$1,000,000 maximum amount per project; \$50,000 to \$75,000 maximum per affordable unit in HOME entitlement/consortium communities.
- In non-entitlement or non-consortium communities, the maximum amount available per affordable unit is \$65,000 to \$90,000, up to the per project maximum.
- A project located in a HOME entitlement/consortium community must include a matching commitment of local funds, or the application will not be scored. In general, preference will be given to applications with full match commitments.

Loan Terms

- In general, DHCD HOME awards are structured as loans with 0% interest, and a 30-year deferred payment term
- DHCD reserves the right to assign a higher rate of interest to any HOME loan
- HOME loans to projects receiving allocations of Low Income Housing Tax Credits are made at the Applicable Federal Rate (or higher) as required by the Tax Credits program
- All HOME loans are non-recourse and secured by a mortgage on the property

How to Apply

DHCD makes HOME funding available through a Notice of Funding Availability (NOFA).

Applicants must submit an application for funding using the Department's Mass One Stop+ web-based application

³¹ <https://www.mass.gov/service-details/home-investment-partnerships-program-home>

Financing for Supportive Housing (people with disabilities)

Supportive Housing

Some populations - including frail elders and people with physical, psychiatric, or cognitive disabilities - may need specialized housing to meet their needs. Both the state and federal governments encourage providing such housing in integrated settings when possible. Supportive housing is an eligible activity under most state and federal subsidy programs. In addition, there are a number of programs that target specific populations. Some programs fund only the bricks and mortar, meaning rental assistance and service funding may need to be lined up separately.

CEDAC³² serves as the Department of Housing and Community Development's (DHCD) underwriting agent for multiple state loan programs that provide deferred-payment, zero interest, subordinated permanent mortgage financing to help meet the costs of producing supportive housing. These loan products frequently blend with Low Income Housing Tax Credits and other state and local soft debt.

- **Housing Innovations Fund (HIF)** - HIF supports single person occupancy housing; supportive housing for formerly homeless households, veterans, seniors, and unaccompanied youth; single person occupancy housing; limited equity cooperatives; and other innovative projects.
- **Facilities Consolidation Fund (FCF)** - FCF finances community residences for clients of the Department of Mental Health or the Department of Developmental Disabilities including both group homes and integrated housing options.
- **Community Based Housing (CBH)** - CBH provides funding for the development of integrated housing for people with disabilities, who would otherwise be at risk of homelessness or institutionalization.
- **Housing Preservation and Stabilization Trust Fund (HPSTF)** - HPSTF provides capital, operating subsidy and service funds for supportive housing developments serving formerly homeless households, veterans, seniors, unaccompanied youth, and other populations in need of housing with services.

Financing for Small Scale Projects

Small-scale housing³³

In smaller and rural communities, affordable housing development of 20 units or less is often appropriate but projects of this scale often struggle to find financing. To address this need, DHCD and MassHousing are offering the Community Scale Housing Initiative, which seeks to prioritize smaller

³² CEDAC Website, <https://cedac.org/housing/supportive-housing/>

³³ "Housing Toolbox for Massachusetts Communities" Mass Housing Partnership, www.housingtoolbox.org/financing-and-funding/basics

projects in smaller communities. In 2017, this program made its first round of funding awards, supporting projects of nine units in Arlington, 18 units in Norwell and nine units in West Tisbury.

Community Scale Housing Initiative (CSHI)³⁴

Eligible Activities and Affordability Requirements

- At least 5 rental units, but no more than 20 rental units.
- New construction or adaptive re-use resulting in additional affordable rental units.
- CSHI affordable units will be targeted to households at or below 80% of AMI.
- Minimum of 20% of the total units must qualify as CSHI affordable units, however, a minimum of 50% is expected to be competitive.
- CSHI funding will be made available only to support the CSHI eligible units.

Funding Limits

- Sources of funding come from DHCD's Housing Stabilization Fund and MassHousing's Opportunity Fund.
- CSHI subsidy may not exceed \$200,000 per CSHI unit, assuming the sponsor is not requesting DHCD project-based rental assistance. However, if the sponsor also intends to seek DHCD project-based rental assistance, the CSHI subsidy may not exceed \$150,000 per CSHI unit.
- \$1 million maximum per project.
- Total development cost per unit for CSHI projects may not exceed \$350,000.
- Project must be financially feasible without federal 9%, federal 4%, or State low income housing tax credits, or any other State housing resources that have not been previously committed and are not available in this NOFA.

Loan Terms

CSHI funds will be made available to selected projects through deferred payment loans.

- deferred payment loan will have no interest or principal payments during its term
- will be due in full at the end of its 50-year loan term.

Financing for Workforce Housing³⁵

To assist developers in providing housing to middle income households and in return for agreeing to long-term affordability restrictions, MassHousing offers subordinate debt to borrowers seeking to create housing with rents affordable to households with incomes generally between 60 and 120% of Area Median Income. This debt can be used with any of MassHousing first mortgage lending products, including construction, permanent, and tax-exempt financing.

Loan Amount and Terms

Subordinate Loan

- Up to \$100,000 per workforce housing unit; \$3,000,000 per project limit

³⁴ <https://www.mass.gov/service-details/community-scale-housing-initiative-cshi>

³⁵ www.masshousing.com

- Interest rate between 0-3%, repayment of principal (and interest, if applicable) based on established amortization schedule or through cash flow sharing mechanism
- 15-40 years

Eligibility Requirements

- Rents affordable to households generally between 60 and 120% AMI, with income limit based on the market in which the development is located.
- Minimum of 20% of units at 80% of AMI
- 15 years
- Phase I ESA, appraisal, market study
- Minimum number of accessible units required by code, or at least one accessible unit

Rental Assistance Programs

Federal Rental Assistance³⁶

Rental assistance programs help low-income households pay rent by providing a monthly subsidy to cover the gap between what the household can afford (set at about 30 percent of their monthly income) and actual rent. Generally, the initial allowed rent is set slightly below the going rate for new leases, based on US Department of Housing and Urban Development (HUD) fair market rent (FMR) data published annually by region and unit size.

There are two basic types of rental assistance:

- Project-based assistance - assigned to specific units in specific developments under a long-term contract between the owner and subsidizing agency (e.g., HUD, housing authority, or state).
- Tenant-based assistance - provided to individual families and they can choose their housing.

The predictability of project-based assistance is more useful for project financing. It makes it possible to serve lower-income households while charging higher rents than those households could otherwise afford. For example, an extremely low-income household of three may only be able to afford \$350 a month at 30 percent of income, but a project with a rental assistance contract may be able to set rents at \$1,200 and still house that family.

HUD's Section 8 project-based voucher (PBV) program is the primary form of new project-based assistance available now. It can be used for 100 percent of the units in developments serving the elderly or disabled or for supportive housing developments or single-family homes; otherwise it can't be used for more than 25 percent of the units in a building.

State Rental Assistance³⁷

The state of Massachusetts also has a rental voucher program. The tenant-based voucher (known as Mobile), is assigned to the participant and is valid for any housing unit that meets the standards of the state sanitary code. Project Based vouchers are assigned to a specific housing unit or development. The owner rents these units to a program eligible tenant, and Project Based tenants who move forfeit the subsidy. In both cases, a regional non-profit housing agency or a local housing authority administers the program locally.

³⁶ <https://www.housingtoolbox.org/financing-and-funding/rental-assistance-programs>

³⁷ <https://www.mass.gov/service-details/massachusetts-rental-voucher-program-mrvp>